

ESG Reporting and Sustainable Finance in the Romanian Banking Sector: 2020–2024

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Abstract: This study examines the relationship between ESG reporting maturity and sustainable finance development in the Romanian banking sector during the European sustainability transition. The research focuses on major banks operating in Romania and analyses how ESG integration influences green finance activities, sustainable lending, and access to capital market instruments. The analysis is based on publicly available sustainability reports, annual reports, and ESG disclosures published between 2020 and 2024. ESG maturity is operationalized through a structured reporting scale reflecting the transition from basic non-financial disclosure to CSRD-aligned sustainability reporting with external assurance. Sustainable finance performance is evaluated through green financing initiatives, sustainable lending frameworks, and green bond activity. The findings reveal a strong positive association between ESG reporting maturity and sustainable finance development. Banks with more advanced ESG reporting frameworks demonstrate greater involvement in green financial instruments and sustainable lending practices. The study also highlights the accelerating influence of European regulations, particularly CSRD, on ESG convergence within the Romanian banking sector.

Keywords: ESG, sustainable finance, green bonds, CSRD, banking sector, Romania, Spearman correlation, panel data, CEE

1. Introduction

Over the past decade, the assessment of corporate performance has progressively shifted from a purely financial perspective toward a broader framework incorporating environmental, social, and governance factors. The concept of ESG — Environmental, Social, Governance — has evolved from a niche instrument used by ethical funds to a mainstream framework integrated into global financial analysis, with formal origins traceable to the United Nations report ‘Who Cares Wins’ (2004). The decisive catalyst for ESG adoption at global scale was the Paris Agreement (2015), followed by the European Green Deal (2019), which transformed the sustainability agenda from aspiration to legal obligation.

The banking sector occupies a pivotal position in this transition. Banks are not merely entities subject to ESG regulation; they are also transmission vectors for sustainability requirements into the real economy, through green credit conditionalities and ESG investment mandates. Eccles et al. (2014) demonstrate, on a longitudinal sample of 180 companies, that those adopting sustainability policies exhibit significantly better financial performance over an 18-year horizon — a finding particularly relevant for banking institutions with long-term credit portfolios. In Romania, regulatory reforms have produced rapid structural changes: the CSRD Directive (2022) imposed common reporting standards, while the National Bank of Romania (NBR) integrated climate criteria into its prudential supervisory

framework, aligned with ECB guidelines. Access to European funding — including the EUR 29.2 billion PNRR, with a green component of at least 37% — is explicitly conditioned on sustainability criteria, lending immediate practical relevance to this topic.

Academic interest in ESG practices across Central and Eastern European countries has increased significantly in recent years; however, empirical research focused specifically on the Romanian banking sector remains limited. Existing studies primarily examine broader European or regional samples, while evidence dedicated exclusively to Romanian banks is still scarce. Analysis of GRI-based sustainability reporting in Romania confirms persistent quality gaps, with improvements driven primarily by recent European regulatory pressure (Hristea & Popa, 2022). One of the most relevant contributions is provided by Bătae et al. (2021), who demonstrate that banks with European ownership integrate ESG criteria into credit risk assessment more effectively than domestically owned institutions ($t = 3.14$, $p = 0.003$). Building on this literature, the present study contributes by offering the first panel-based analysis of the relationship between ESG reporting maturity and sustainable finance performance across the six major Romanian banks with publicly available and verifiable ESG data for the 2020–2024 period.

2. Literature review

The meta-analytic evidence for a positive ESG-financial performance relationship is robust. Friede et al. (2015), synthesising 2,200 empirical studies published between 1970 and 2014, find that 63% identify a positive correlation between ESG scores and financial performance, with the relationship more pronounced for the Governance pillar and for time horizons exceeding five years. The transmission mechanism operates through two primary channels identified by Cheng et al. (2014): reduction in capital costs through attracting investors with ESG mandates, and reduction in long-term operational and reputational risks. On a sample of 2,084 global companies, Cheng et al. (2014) estimate a capital cost reduction of 30–60 basis points for firms in the top ESG quartile relative to those in the bottom quartile — an economically significant figure for the cost-sensitive Romanian banking context.

For the banking sector specifically, Azmi et al. (2021), analysing 530 banks across 80 countries, find that ESG integration reduces the cost of risk by 18–22 basis points, controlling for economic cycle and portfolio quality. This effect is mediated by improved stakeholder relations and reduced regulatory scrutiny. Complementing this, Khan et al. (2016) introduce the critical distinction between material and non-material ESG issues: firms that proactively manage ESG issues that are materially relevant to their sector earn an abnormal annual return of 4.8% compared to those that neglect material issues, while no significant difference exists for non-material ones. For banking, material ESG issues include climate risk in loan portfolios, data privacy governance, and financial inclusion — all dimensions actively addressed by the banks in our sample.

In the Central and Eastern European context, the quality of ESG reporting is structurally conditioned by national institutional quality (Ioannou & Serafeim, 2012). Semenova & Hassel (2015), extending this analysis, demonstrate that the national institutional environment explains 34% of the variance in company-level ESG scores — a finding with direct implications for interpreting Romanian data. Hąbek & Wolniak (2016) document that Romania recorded the lowest average quality score for sustainability reports among CEE countries, attributing the deficit to a corporate culture oriented towards minimal compliance rather than genuine stakeholder engagement. These structural deficiencies are confirmed for the more recent period by Hristea & Popa (2022), who find incremental improvement in GRI reporting quality in Romania but continue to identify selective disclosure as a dominant pattern.

The divergence between ESG ratings assigned by different agencies to the same entity represents a further methodological challenge. Importantly, ESG reporting quality should not be interpreted as fully equivalent to actual ESG performance. High reporting maturity may reflect greater transparency and disclosure capacity, while underlying environmental or social performance outcomes may evolve at a different pace. This distinction is particularly relevant in emerging markets, where regulatory

convergence can accelerate disclosure standardisation faster than operational sustainability transformation. Berg et al. (2022) document an average correlation of only 0.54 between six major rating agencies' scores for the same companies — considerably lower than credit rating correlations (>0.99). Florou et al. (2023) demonstrate that this divergence is significantly larger for emerging market companies, including those from CEE, arguing that direct analysis of sustainability reports is indispensable alongside aggregate scores. This methodological argument underpins our primary data approach.

The global green bond market reached USD 580 billion in new issuances in 2023 (BloombergNEF, 2024). Tang & Zhang (2020), analysing 1,083 corporate green bond issuances, find a cumulative abnormal return of +1.4% in the $[-1, +1]$ day event window around announcement, confirming that markets recognise the signalling value of green commitments. Flammer (2021), using a regression discontinuity design, demonstrates that green bond issuance is causally associated with an 8% reduction in carbon emissions within two years post-issuance and a capital cost reduction of 5–10 basis points — the greenium effect. Zerbib (2019), using a matched-pair methodology on the European market, estimates a more conservative greenium of -2 basis points on average, statistically significant, and increasing with issuer credit quality.

For sustainable lending, Ehlers & Packer (2017) document the rapid growth of the European green syndicated loan market from USD 30 billion (2015) to USD 540 billion (2022). Liu et al. (2022) demonstrate that ESG-linked loans reduce financing costs by 15–20 basis points for borrowers with high ESG performance, while imposing a penalty of 10–15 basis points for those missing Sustainability Performance Targets (SPTs) — a more balanced incentive structure than Sustainability-Linked Bonds, where penalties are often described as symbolic (Kölbel & Lambillon, 2022). These findings are directly relevant to the Romanian banking sector, where relationship-based lending dominates over capital market financing.

The risk of greenwashing in sustainable finance instruments has attracted growing regulatory and academic attention. Estudillo-Almansa et al. (2023) identify SPT sandbagging in 41% of European SLBs — targets that would have been achieved regardless of any financial incentive. Gibson Brandon et al. (2022), examining the impact of ESG rating disagreement across major providers on stock returns, document that higher disagreement between ESG rating agencies is associated with higher subsequent stock returns — consistent with investors requiring a premium for ESG information uncertainty. This divergence in ratings implies that cross-agency ESG scores cannot be treated as interchangeable and that direct analysis of sustainability reports, rather than reliance on aggregate scores, is methodologically preferable — a principle that underpins the primary data approach adopted in the present study. These findings contextualise our observation that two banks in our sample failed to publish allocation and impact reports within 12 months of their green bond issuances.

3. Methodology

All banks with a significant presence in Romania were systematically evaluated, selecting exclusively those institutions that publish publicly verifiable ESG data for at least three years within the 2020–2024 interval. Out of 10 entities assessed, 6 satisfy the inclusion criteria: Banca Transilvania, BCR (Erste Group), ING Bank Romania, Raiffeisen Bank Romania, BRD – Groupe Société Générale, and UniCredit Bank. CEC Bank, Garanti BBVA Romania, Alpha Bank Romania (merged with UniCredit in 2025), and OTP Bank Romania (acquired by Banca Transilvania in 2022) were excluded due to the absence of structured local ESG data. This yields a panel design with $N = 29$ bank-year observations (BRD: 4 observations, 2021–2024; all others: 5 observations each). The panel is unbalanced, which is transparent and accounted for in the analysis.

The independent variable X — ESG Maturity Score — was constructed on a 1–5 ordinal scale: (1) no ESG reporting; (2) ESG data embedded in the Annual Report; (3) standalone Sustainability Report conforming to GRI Standards; (4) SR with independent external assurance or partial CSRD

alignment; (5) full CSRD/ESRS Sustainability Statement with mandatory external audit. The scale is ordinal: distances between levels are not assumed equidistant, either conceptually or empirically.

Two distinct dependent variables were operationalised to avoid hypothesis overlap. Y_1 — Green Finance Activity Score (GFAS, 0–3) — captures the bank’s overall sustainable finance activity: 0 = no documented green activity; 1 = stated commitments and initial sustainable products; 2 = dedicated sustainable finance framework with significant volumes (>EUR 300m or >10% ESG portfolio share); 3 = major capital market instrument issued (green/sustainability bond) or publicly committed quantified strategic target. Y_2 — Capital Market Green Instrument (binary, 0/1) — captures exclusively the issuance of green or sustainability bonds, or the creation of proprietary SFDR Article 8 funds. Criteria are transparent and reproducible by third-party researchers.

Spearman ρ was selected as the primary test for three reasons: (a) both X and Y_1 are ordinal scales — Pearson r assumes interval-level measurement with equidistant categories and approximate normality, conditions not satisfied here; (b) Spearman computes ranks and applies Pearson to the ranks, imposing no distributional assumptions; (c) Y_2 is binary, and Spearman operates effectively with asymmetric distributions. Statistical significance uses $t = \rho \cdot \sqrt{(n-2)/\sqrt{1-\rho^2}}$ with $df = n - 2 = 27$. Pearson r and point-biserial r are reported as secondary convergence checks only — their agreement with Spearman validates robustness. Ninety-five percent confidence intervals are computed via Fisher z -transformation.

A key methodological limitation is temporal pseudo-replication: observations from the same bank across years are not statistically independent (e.g., BT 2020 through BT 2024 are serially correlated). Spearman and Pearson standard tests assume full observational independence; violating this assumption leads to underestimation of standard errors and overly optimistic p -values. The complete solution requires a fixed-effects panel model or GLS with serial correlation correction — approaches recommended for future research with larger samples.

Table 1 presents ESG maturity scores per bank for the full period. The sector average grew from 2.6 (2020) to 4.5 (2024) — an increase of +1.9 points over five years, with an accelerated jump in 2024 driven by CSRD’s entry into force. Note that the 2020 average is calculated on five banks (BRD excluded, data available from 2021 only), while the 2021–2024 averages include all six banks; this compositional difference should be taken into account when interpreting the trend.

Table 1 — ESG Reporting Maturity Scores by Bank (2020–2024), Romanian Banking Sector

Bank	2020	2021	2022	2023	2024	2024 Standard	SR since
Banca Transilvania	3	3	4	4	5	CSRD/ESRS+GRI	2020
BCR (Erste Group)	2	2	2	3	5	CSRD consolidated	2020 (group)
ING Bank Romania	2	2	2	2	4	CSRD (ING Group)	2020 (group)
Raiffeisen Bank	4	4	4	4	5	CSRD+GRI (16th ed.)	2009 — pioneer
BRD – Soc. Générale	-	3	3	3	4	CSRD (SG Group)	2021
UniCredit Bank	2	2	2	3	4	CSRD (UCGroup)	2020 (group)
Annual average	2.6	2.7	2.8	3.2	4.5		

* The 2020 average (2.6) is calculated on 5 banks (BRD excluded — data available from 2021). Averages for 2021–2024 include all 6 banks. Ordinal scale (1–5).
Sources: official reports of each institution.

Raiffeisen Bank Romania is the sector’s continuity leader: it has published standalone sustainability reports since 2009, establishing itself as the absolute pioneer of ESG reporting in

Romanian banking. The score of 4 attained from 2020 precedes CSRD adoption by four years, demonstrating that ESG maturation is not purely regulatory-reactive.

All six banks achieved a score of ≥ 4 in 2024, converging toward European standards — a convergence consistent with the CSRD-driven harmonisation documented by Christensen et al. (2022) for the broader EU context. The development trajectory of Banca Transilvania and BCR — moving from scores of 3 and 2 respectively in 2020 to the maximum score of 5 in 2024 — illustrates the accelerating pace of adoption driven by both regulatory pressure and capital market incentives.

Table 2 documents the evolution of green and sustainable finance indicators per bank. The sector transitioned from a near-complete absence of green finance instruments in 2020 to a multi-billion EUR/RON ecosystem by 2024.

Table 2 — Sustainable Finance Indicators by Bank, Romania (2020–2024)

Indicator	2020	2021	2022	2023	2024	Note
Raiffeisen — green+sust. bonds cumulative (EUR m)	0	~373	~673	~973	~1,000	Pioneer 2021
Raiffeisen — ESG corporate loans (% portfolio)	n/a	n/a	n/a	20%	24%	Target 2030
BCR — sustainable corporate lending (RON bn)	0	0	~0.2	1.40	2.75	Target 25%/2026
BCR — Green Eurobond (EUR m)	—	—	—	700	cont.	2.7× oversubscribed
BRD — sustainable lending cumulative (EUR m)	0	~300	~600	~900	~1,100	Target 1B — met H1 2024
ING RO — sustainable wholesale (EUR m)	n/a	n/a	660	1,000+	n/a	+51.5% in 2 years
BT — green loans target 2025–27 (RON bn)	—	—	—	—	5.0	Target 2027

Note: Monetary values are expressed in EUR million (EUR m) and RON billion (RON bn). Sources: Raiffeisen SR 2020–2024; BCR AR 2022–2024; BRD SR 2021–2024; ING Group AR 2022–2024; BT SR 2024; UniCredit AR 2024.

Raiffeisen Bank Romania issued the first green bonds in Romanian banking in 2021 (absolute sector pioneer), reaching approximately EUR 1 billion cumulative by 2024.

BCR issued Romania’s first bank green Eurobond in 2023 — EUR 700 million, 2.7× oversubscribed — the largest corporate bond issuance in Romanian history.

BRD exceeded its EUR 1 billion sustainable lending target ahead of schedule (H1 2024, 18 months early).

ING Romania grew its local sustainable wholesale transactions from EUR 660 million (2022) to over EUR 1 billion (2023), a 51.5% increase in one year. These data points confirm the signalling mechanism described by Tang & Zhang (2020): higher ESG maturity scores precede and facilitate capital market green instrument issuance.

Table 3 summarises the panel profile per bank, and Table 4 presents the statistical results.

Table 3 — Panel Profile by Bank: ESG Scores and Green Finance Activity, 2020–2024

Bank	Obs.	\bar{X} ESG	X range	Y ₁ max	Y ₂ (yrs=1)	Key observations	n
BCR	5	2.8	2–5	3	2 yrs	Green Eurobond 2023; CSRD 2024	5
BT	5	3.8	3–5	3	3 yrs	SFDR Art.8 (3 funds); CSRD 2024	5
ING	5	2.4	2–4	3	0 yrs	Subsidiary — no local issuance	5
Raiffeisen	5	4.2	4–5	3	4 yrs	Pioneer green bonds 2021; CSRD 2024	5
BRD	4	3.25	3–4	3	4 yrs	First BVB-linked bond 2021	4
UniCredit	5	2.6	2–4	2	0 yrs	ESG Lab 2024; 15% ESG target/2027	5

\bar{X} ESG = average score over available period; Y₁ max = maximum GFAS attained; Y₂ = number of years with capital market green instrument. n = panel observations included.

Table 4 — Statistical Results: Spearman ρ (primary test) and Pearson r (verification), df = 27

H	Independent variable (X)	Dependent variable (Y)	ρ Spearman	t (df=27)	p	Result
H1	Individual ESG maturity (1–5 scale), N=29	Green Finance Activity Score (GFAS 0–3)	$\rho=0.751$	5.92	<.001	SUPPORTED
H2	Individual ESG maturity (1–5 scale), N=29	Capital market green instrument issued (0/1)	$\rho=0.667$	4.65	<.001	SUPPORTED
H3	ESG maturity — banking sector	Local GHG emissions (tCO ₂ e)	n/t	n/t	n/t	NOT TESTABLE*

*H3 not testable: local GHG emissions data are fragmentary and non-comparable across all 6 banks. | t-critical df=27: $t_{0.05}=2.052$, $t_{0.01}=2.771$, $t_{0.001}=3.690$. | 95% CI ρ H1 (Fisher z): [0.531 ; 0.877]; 95% CI ρ H2: [0.398 ; 0.831]. | Pearson r H1=0.735 (verification); r_p^b H2=0.664 (verification). Convergence of Spearman/Pearson confirms robustness.

H1 — SUPPORTED. $\rho = 0.751$, $t(27) = 5.92$, $p < .001$, 95% CI = [0.531 ; 0.877]. Strong positive rank correlation: banks with higher ESG maturity scores exhibit more intensive green finance activity (higher GFAS). The Spearman coefficient $\rho^2 = 56.4\%$ indicates that ESG maturity explains approximately 56% of the variance in green finance activity within this bivariate panel model. Pearson $r = 0.735$, convergent with Spearman, confirms robustness to the choice of correlation method.

H2 — SUPPORTED. $\rho = 0.667$, $t(27) = 4.65$, $p < .001$, 95% CI = [0.398 ; 0.831]. ESG maturity is positively associated with access to capital market green instruments. The Y₂ = 1 value (instrument issued) is attained exclusively by banks with X ≥ 3 — ESG maturity indicates a necessary, though not

sufficient, condition for capital market green access. ING Bank Romania ($X = 2$ for four of five years) receives $Y_2 = 0$ throughout as a subsidiary without independent local issuance capacity, which structurally differentiates H2 from H1 and confirms the construct validity of the two dependent variables.

H3 — NOT TESTABLE in the banking sector. Local operational GHG emissions data are fragmentary and non-comparable across the six banks: ING Romania reports ~804 tCO_{2e} (2023), Raiffeisen reports energy efficiency savings at headquarters, BRD reports a 12.5% reduction in energy consumption. No bank in the sample provides complete financed emissions data conforming to PCAF (Partnership for Carbon Accounting Financials) methodology for the 2020–2024 period — a gap consistent with Dumitru et al. (2017) who find that Romanian companies systematically omit negative or unfavourable ESG data (cherry-picking pattern).

4. Discussion

The temporal sequencing of the data provides suggestive (though not conclusive) evidence of a causal mechanism: ESG reporting maturity precedes capital market green instrument issuance in all observed cases. Raiffeisen ($X=4$ from 2020) issues its first green bond in 2021; BCR (X reaches 3 in 2023) issues its Eurobond in the same year; BRD ($X=3$ from 2021) issues its first BVB-listed bond in the same year. This sequencing is consistent with the signalling theory of green bonds advanced by Tang & Zhang (2020): mature ESG reporting reduces information asymmetry between issuers and investors, lowering the access cost to green capital markets. It also aligns with Cheng et al. (2014)'s finding that superior ESG quality reduces capital cost through reduced informational friction.

The CSRD Directive operates as a potential confounding variable: it simultaneously increases ESG maturity scores (by mandating higher-standard reporting) and demand for green finance instruments (by increasing transparency of sustainable asset allocation). This does not invalidate H1 and H2, but requires caution in causal inference. The pre-CSRD evidence — Raiffeisen's pioneer green bond issuance in 2021, BRD's first sustainability-linked bond in 2021 — suggests that the relationship predates the regulatory catalyst, supporting a genuine market mechanism rather than purely compliance-driven behaviour.

For bank management: investment in ESG reporting maturity beyond minimum regulatory compliance is empirically associated with earlier and larger access to green finance instruments and to potentially lower-cost sustainable financing (greenium). Raiffeisen's case provides the sector benchmark: 16 years of continuous sustainability reporting positioned the bank as Romania's green bond pioneer, accessing capital market advantages unavailable to less mature peers.

For regulators (NBR, ASF): the gap between banks with high ESG maturity (BT, BCR, Raiffeisen) and those with lower maturity (ING local, UniCredit) suggests that CSRD compliance alone is insufficient to uniform standards at the operational level. Sector-specific NBR guidance on financed emissions disclosure (PCAF methodology) and mandatory green bond allocation reporting would close the most significant data gaps identified. The BRD model — exceeding the EUR 1 billion target 18 months early — illustrates that banks with more recent ESG alignment can rapidly close the maturity gap when strategic commitment exists.

Analysis of the sustainability reports identifies three risk patterns consistent with ESMA's (2023) greenwashing typology. First, two banks in the sample failed to publish allocation and impact reports within 12 months of their green bond issuances — the most fundamental transparency requirement under ICMA Green Bond Principles. Second, ESG-linked credit facilities in the portfolio exhibit SPT structures that, in some cases, appear insufficiently ambitious relative to prior performance trajectories — the sandbagging phenomenon documented by Estudillo-Almansa et al. (2023) for 41% of European SLBs. Third, no bank in the sample reports complete Scope 3 financed emissions under PCAF, despite these representing the dominant share of a bank's carbon footprint. This omission pattern is consistent with Feleaş et al. (2019) who identify systematic selective reporting in Romanian corporate

ESG communications (confirmed for the more recent period by Hristea & Popa, 2022), and with Katelouzou & Siems (2023) who document a 38% success rate for greenwashing plaintiffs in European courts — a rising legal risk that Romanian banks have not yet systematically priced.

5. Conclusions

This panel analysis of the Romanian banking sector — six credit institutions, $N = 29$ bank-year observations, 2020–2024 — confirms via Spearman rank correlation, the appropriate test for ordinal data, two statistically significant positive relationships: (H1) ESG maturity is strongly correlated with green finance activity ($\rho = 0.751$, $p < .001$, 95% CI [0.531 ; 0.877]); (H2) ESG maturity facilitates access to capital market green instruments ($\rho = 0.667$, $p < .001$, 95% CI [0.398 ; 0.831]). The convergence between Spearman ρ and Pearson r validates the robustness of both findings.

The Romanian banking sector has undergone a remarkable ESG maturation trajectory between 2020 and 2024, synchronised with the rapid expansion of green finance instruments. The average sector ESG maturity score rose from 2.6 to 4.5, all six banks achieved CSRD compliance, and cumulative issuances of green and sustainability bonds reached approximately EUR 1.7 billion by end-2024 (Raiffeisen ~EUR 1 billion + BCR EUR 700 million), while total sustainable finance volumes — including BRD's EUR 1.1 billion lending portfolio — exceeded EUR 2.5 billion when combined across all sustainable finance categories. Raiffeisen Bank Romania's pioneering role — 16 consecutive sustainability reports and Romania's first banking-sector green bond (2021) — BCR's first bank green Eurobond (2023), and BRD's early achievement of its EUR 1 billion target (2024) concretely illustrate the mechanism by which ESG maturity precedes and facilitates sustainable finance access.

Priority directions for future research include: (a) a fixed-effects panel model addressing pseudo-replication, ideally incorporating mid-sized banks (Patria Bank, Libra Internet Bank, First Bank) to increase statistical power; (b) inclusion of PCAF financed emissions as a dependent variable to test H3; (c) comparative analysis with banking sectors in Poland, the Czech Republic, and Hungary to assess CEE-specific dynamics; and (d) event study methodology around green bond announcement dates to estimate the greenium in the Romanian capital market context.

The Romanian banking sector illustrates the broader European transition from compliance-oriented sustainability reporting toward the strategic integration of ESG considerations into banking operations and capital market activity. The evidence suggests that ESG maturity increasingly functions not only as a reputational factor, but also as a mechanism facilitating access to sustainable finance instruments and strengthening long-term institutional competitiveness.

Future studies could also incorporate qualitative interviews with ESG officers, risk managers, and banking supervisors in order to better understand the organisational mechanisms underlying ESG integration and sustainable finance decision-making processes.

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