

Corporate Sustainability Reporting: Paradigms, Determinants and Performance

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DOI: <https://doi.org/10.29358/sceco.v0i42.622>

How to cite: Boghean, F. and Melega, A. (2025). Corporate Sustainability Reporting: Paradigms, Determinants and Performance. *Studies and Scientific Researches. Economics Edition*, 42. <https://doi.org/10.29358/sceco.v0i42.622>

Received: July 2025

Accepted: November 2025

Abstract

Due to climate change, pressures from civil society and national and international bodies, the objectives of sustainable development, social responsibility and ethical governance have become an integral part of companies' management strategy. Thus, if in the past, the main objective of business was to maximize profit or economic growth by any means, nowadays, to be successful in the long term, firms must integrate the principles of sustainability and corporate governance into their strategic objectives. In this sense, the aim of this article is to analyze the main paradigm shifts in the business world in the context of implementing sustainability and corporate governance principles in business models, while identifying the motivations for sustainability reporting and the impact on firm performance. The research methodology is theoretical and documentary, focusing on literature review and international regulations on sustainability and corporate governance. The research results consist in highlighting the main paradigm shifts in sustainability reporting and its implications on firm performance.

Keywords

corporate governance; sustainability reporting; business environment; paradigm shifts; determinants; performance

Introduction

Climate change and recent social and economic upheavals have emphasized the need to develop mechanisms to support the sustainable development of the world's economies. To this end, national and international bodies have developed a series of regulations and actions to ensure harmonious development of all national economies. Their role is to ensure equitable economic growth and protect resources for future generations. In this context, business has also had to integrate sustainability principles, or practices that use resources efficiently, effectively and economically without compromising the future of future generations, into the governance system.

At the same time, against the backdrop of climate change and the increasing impact of business activity on social well-being indicators, stakeholders have started to demand from firms, in addition to financial information, information on social and environmental performance, or in other words information on the sustainability of the firm. Therefore, the integration of sustainability principles into the corporate governance system has become a vital necessity for all stakeholders, as the firm is seen not only as an economic but also as a social component. In this respect, to meet the needs of all stakeholders, some companies have also started to report on sustainability, some voluntarily, others are obliged to do so by the authorities, such as firms listed on a regulated market. At the same time, as this interest intensified, in November 2022, the European Union adopted one of the most important pieces of sustainability reporting legislation, the EU Corporate Sustainability Reporting Directive ("CSRD"), which started to be phased in from 2024 until 2028. Under this Directive, starting in 2024, large companies with more than 500 employees are required to produce a sustainability report that includes information on the environmental and social impact of the

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company's business. Thereafter, by 2028, under the directive, which has been transposed into EU member countries' legislation, most companies will be obliged to produce this sustainability report.

The role of this directive, on the one hand, is to provide all stakeholders with access to companies' sustainability information, thus increasing the level of disclosure of this information. On the other hand, this directive aims to make the business environment more responsible in its use of resources and to motivate it to participate in the socio-economic development of society, increasingly emphasizing the social dimension of the company.

The purpose of this article is to analyze the main paradigm shifts in the business world in the context of the implementation of sustainability and corporate governance principles in business models, while also identifying their impact on firm performance. To achieve the proposed goal, the following research objectives were set: O1: to analyze the main European regulations on corporate governance and sustainability reporting by firms; O2: to identify the determinants of sustainability reporting; O3: to analyze the impact of sustainability reporting on firm performance. The research methodology is based on theoretical and documentary analysis of regulations and studies in the literature in the field of corporate governance and sustainability. This research comes to emphasize the importance of implementing sustainability principles in the development strategy of firms to ensure their harmonious sustainable development.

Literature Review

Regulation, according to Black's Law Dictionary, is "the act or process of controlling by rules or restrictions" (Garner, n.d.). In this article, regulation is viewed as a set of legal and institutional frameworks such as the CSRD, NFRD, or ESRs, which outline how sustainability information should be reported and disclosed by the business community. The quality of reporting refers to the degree of transparency, comparability, and auditability of sustainability information reported by the business community. The World Business Council for Sustainable Development (WBCSD) defines sustainability reports as "public reports by companies that provide internal and external stakeholders with an overview of the corporate position and activities in the economic, environmental, and social dimensions" (Heemskerk et al. 2002).

From a conceptual structure perspective, the article is structured around three dimensions that present the relationship between regulatory standards, reporting quality, and company performance. In this sense, the regulatory framework represented by the CSRD Directive sets out the requirements and methods for reporting ESG information. These rules directly influence the quality of sustainability reports, which is measured by the transparency, comparability, and auditability of the information. Ultimately, high-quality reports contribute to increased stakeholder confidence and the efficient and effective use of resources, which leads to improved company performance, high market value, and long-term competitiveness. Therefore, the conceptual thread of the article is outlined on the regulatory framework, the quality of reporting, and economic performance, respectively.

EU directive on corporate sustainability reporting

The last decade has been a period characterized by major social, economic and political changes, from the Covid-19 pandemic to the military conflicts in Ukraine and Israel, to the intensification of climate change, the accelerated development of artificial intelligence, etc. In this context, various commissions have been set up at the level of national and international bodies to develop development strategies to ensure sustainable development for all nations of the world. These changes have redefined business strategies and business models, adapting them to the new socio-economic realities, and have been real paradigm shifts for the economic environment. Starting from Kuhn's (1962) idea that paradigms "are those universally recognized scientific achievements which, for a period of time, provide model problems and solutions for a community of practitioners", I emphasize that the paradigm shifts of the last decade have come as optimal solutions to solve the problems of social inequity, the environmental problems facing society. In this regard, among the most important paradigm shifts for business, in terms of legislation, is the introduction of the EU Corporate Sustainability Reporting Directive, which has superseded the Non-Financial Reporting Directive (NFRD), being transposed into national legislation of EU member countries and gradually applied from 2024, with implementation of the Directive to be completed in 2028. With the application of this directive, the business environment will have to pay more attention to sustainability indicators, implementing sustainability principles in the governance model. According to this directive, from 2024-2028, gradually, most companies will be required to prepare and publish a

sustainability report containing detailed information on the company's activity and its sustainability implications. The content, or information to be disclosed, is that stipulated in the 12 European Sustainability Reporting Standards (5 thematic environmental, 4 social, 1 governance and 2 cross-cutting standards), which are an integral part of the Corporate Sustainability Reporting Directive, covering sustainability issues such as: Climate change, pollution, aquatic and marine resources, biodiversity and ecosystems, resource use and circular economy, own workforce, workers in the food chain, affected communities, consumers and end-users, business conduct, etc. According to the new guidelines, the firm should be seen as a dual materiality, i.e. on the one hand we have the financial materiality which provides "the picture from the outside in about the impact of sustainability issues on a firm's performance, position and development" and on the other hand the impact materiality which "provides an inside-out perspective on the impact of the firm's business on society and the environment" (Hummel & Jobst, 2024). Applying this directive in business strategy and aligning the firm's development objectives with sustainability standards is a real challenge for business, being a real "compliance effort". Many researchers and practitioners argue that the implementation period is very short and the effort for firms is substantial, especially in the first years of reporting. For example, Hummel and Bauernhofer (2024) argue that implementing this Directive in such a short timeframe represents a major compliance effort for firms to comply with the reporting requirements. In the same vein, Hummel and Jobst (2024) argue that due to the changes in sustainability reporting standards that have occurred over the years from 2022 to the present, firms "are challenged by the need to prepare for ESRS-compliant reporting in the context of changing legislative projects". Also, some sustainability reporting standards have not even been developed, such as sector-specific cross-cutting standards and SME standards. The biggest challenge will be for firms that have not fallen under the NFRD (Hommelhoff, 2021), as sustainability reporting is new to these companies. At the same time, the lack of specialists in the field of sustainability standards and sustainability reporting will make the implementation process in the firm's management strategy more difficult. The elaboration of the sustainability report will be a real effort for the company, especially from a financial point of view, due to the lack of professionals in the field. In the first years of implementation, the quality of reporting is likely to be poor, due to lack of experience and knowledge of sustainability principles and how to report sustainability indicators, and the inconsistency of legislation will make the process even more difficult. In the same assent is also Odoabaša and Marošević (2023) who argue that the implementation of CSRD will bring firms "additional financial and personnel costs related to information collection and report preparation". At the same time, in addition to these challenges, due to the shortage of personnel specialized in sustainable reporting, the quality of reporting, the relevance of information might be low. Baumüller and Grbenic (2021) argue that in order to provide quality reporting, firms need to "invest in their processes and structures". The introduction of new regulations will increase the competitiveness of firms, as they will have a major impact on attracting investment and firm profitability, respectively. At the same time, by eliminating the term non-financial information and renaming it sustainability information, the new CRD, the new SRD, emphasizes the impact of this information on the profitability of the firm.

In another vein, Orazalin and Mahmood (2019) analyzed the performance determinants of sustainability reporting quality of listed firms in Kazakhstan, arguing that "stand-alone reporting, reporting language, firm profitability, firm size, and auditor type substantially influence the extent, nature, and quality of firms' sustainability reporting practices".

Therefore, with the implementation of this directive, the impact of the company's activities on the environment and society will be easier to assess through the information reported and the decision-making process will be redesigned by introducing sustainability indicators. In practice, by introducing this directive, sustainability becomes a determinant of business and investment strategies, giving sustainability financial-economic valence, being not only a principle of ethics and social responsibility in business, but also a determinant of long-term performance. This idea is also supported by Oncioiu et al. (2020) who argue that by integrating social reporting indicators in the firm's financial reports, sustainability acquires a tangible value for all stakeholders. Also, how to implement sustainability principles in business models will highlight the need to develop new managerial skills, develop new mechanisms for developing a business, based on the principles of ethics and social responsibility. At the same time, it is expected that, by introducing sustainability reporting, companies will be able to assess the way in which they manage their resources in terms of efficiency, effectiveness and economy indicators in relation to economic, social and environmental results, eradicating waste and the negative impact of company activity on society and the economy.

Determinants of sustainability reporting

Sustainability reporting is not new to the business environment, some companies already produce sustainability reports either voluntarily, to satisfy the need to inform stakeholders and increase their competitiveness on the international market, or out of compliance, being obliged by the regulatory framework, such as companies that were covered by the Non-Financial Reporting Directive (about 11. 700 European firms), which has been replaced by the Corporate Sustainability Reporting Directive (about 50,000 European firms fall under this directive; in Romania the directive applies to about 6,000 firms). The identification of the determining factors of sustainability reporting is a topic of major interest in the literature, and different studies have been carried out in various socio-economic environments in order to see what is the motivation of the business environment in sustainability reporting. However some authors argue that most studies oscillate around analyzing the determinants of sustainability reporting of companies listed on a regulated market, and a less explored niche are unlisted companies (Arkoh et al. 2023; Huq et al. 2024). Among the determinants most frequently mentioned by researchers with respect to sustainability reporting are regulatory pressure, stakeholder influence, corporate image and reputation, competitiveness, access to capital, organizational culture, technological advances, etc. For example, Alshhadat (2023) based on 20 interviews identified the determinants of sustainability reporting in Saudi Arabian petrochemical firms, concluding that the main motivational factors that lead petrochemical firms to report on sustainability include "cultural issues, compliance with international best practices, competitiveness, reputation and legitimacy". In another vein, Kumar et al. (2023) analyzed the determinants of sustainability disclosure of 75 listed non-banking firms in India, concluding that "firm size, age, free cash flow capacity, government ownership and use of Global Reporting Initiative (GRI) are positively related to the extent of corporate sustainability disclosure". Dienes et al. (2016) based on a systematic review of the literature identified firm size, media visibility and ownership structure as determinants of sustainability reporting. However, the authors also argue that corporate governance has an insignificant influence on sustainability reporting, as this has "influence only on the existence of audit or sustainability committees". In the same assent is also Miloud (2024) who argues that "good governance may not be sufficient to ensure greater accountability" on sustainability disclosure, but "well-governed firms are more likely to provide sustainability reports in accordance with GRI guidelines, which are more informative". He also argues that the impact of corporate governance on sustainability disclosure is "enhanced by firm size and mitigated by firm leverage" (Miloud, 2024). Therefore, the determinants of sustainability reporting can be explained in terms of legitimacy theory, stakeholder theory, responsibility theory, signaling theory, institutional theory, political cost theory, and resource dependence theory (Benvenuto et al. 2023; Mol et al. 2024), since firms will report sustainability information either if such reporting will bring them future benefits or because of legislative constraints. Sustainability reporting should be analyzed through the prism of benefits, which should clearly outweigh the costs of reporting, as firms the quality of the reported information is influenced by the benefits of disclosing this information.

Sustainability reporting and firm performance

The benefits of sustainability reporting are reflected firstly in the relationship with stakeholders, especially investors, and secondly in economic and financial indicators. According to, arguments in the literature sustainability reporting has a positive impact on firm performance, increasing stakeholder confidence (Shalihin et al. 2020; Felita & Faisal, 2021). In the same assent is Laskar (2018), who analyzed the relationship between sustainability reporting and firm performance in Japan, South Korea, Indonesia and India, concluding that there is a positive association between the two variables "the relative impact of sustainability reporting on firm performance is higher in developed countries than in developing countries in Asia". Kasbun et al. (2016) through asset and equity ranad, analyzed the relationship between sustainability reporting and firm performance of listed firms in Malaysia, supporting the idea that sustainability reporting has a positive impact on firm performance.

In a different vein, Aifuwa (2020) conducting a systematic literature review to identify the impact of sustainability reporting on firm performance, argues that there is no solid evidence on the relationship between sustainability reporting and firm performance, the results are "inconclusive". But nevertheless, he argues that there is a body of research that supports a positive relationship between sustainability reporting and firm performance. At the same time Buallay (2024) argues that

there is a significant negative relationship between "market performance of the information technology sector and ESG". Monteiro et al. (2024) based on a sample of 297 firms in Portugal analyzed the differences between the financial performance of firms that publish sustainability and non-sustainability reporters, concluding that there are no significant differences between the financial performance of companies that publish sustainability reports and those that do not. In the same assent are Nampoothiri et al. (2024), who argue that disclosing information on sustainability indicators "does not significantly affect firm value".

Studies in literature contradict each other, with some researchers arguing for a positive relationship between sustainability reporting and firm performance, while others equally argue that there is no direct causal relationship between the two. Basically, summarizing the ideas in the literature, I believe that it is imperative to understand the economic-financial valence of sustainability and its recognition as a tangible value. And in order to analyze the impact of sustainability reporting on firm performance, it is necessary to redefine a system of indicators that quantify sustainability performance correlated with economic-financial indicators. At the same time, we believe that the negative impact of firm sustainability reporting on firm performance is also given by the managerial culture and of course by the results of the reported sustainability indicators.

Methodology

The research applied in this paper is qualitative-exploratory, which is based on documentary analysis and content analysis of literature and international regulations in the field of sustainability and corporate governance. In order to achieve the proposed research objectives, the European NFRD and CSRD (Corporate Sustainability Reporting Directive), the ESRS standards, as well as a number of scientific publications that have analyzed the topic addressed in this article were consulted.

In the first stage, Directives 2014/95/EU and 2022/2464/EU were analyzed, as well as ESRS standards, in order to highlight the main differences and novelties in terms of sustainability reporting. and to see the link between sustainability reporting, reporting quality, and performance, scientific articles from the Web of Science, Scopus, and Google Scholar databases from 2016-2025 were analyzed. The analysis included publications that explicitly address sustainability reporting, its determinants, and its effects on performance. Scientific resources were identified using keywords such as corporate sustainability, CSRD, NFRD, ESG performance, and reporting determinants.

Therefore, in order to analyze the current paradigms in sustainability reporting and their impact on company performance, a comparative approach was applied between European regulations and best practices reported in case studies in the literature. At the same time, divergent opinions in the scientific literature on the relationship between sustainability reporting and company performance were analyzed in order to identify trends, contradictions, and gaps in research.

Result and Discussions

Directive 2022/2464/EU (CSRD) represents a paradigm shift from Directive 2014/95/EU (NFRD), it shifts the focus from "optional sustainability reporting" to sustainability governance as an integral part of corporate decision-making. Basically, initially, the NFRD introduced minimum non-financial transparency requirements, while the new CSRD Directive comes to transform sustainability reporting into a strategic pillar of corporate governance, promising a Europe with a more transparent, accountable and green and digitally transition-ready economy.

Table 1. NFRD vs CSRD Directive

Item	Directive 2014/95/UE (NFRD)	Directive 2022/2464/UE (CSRD)	What CSRD is new compared to NFRD
Aim	Increase transparency by imposing non-financial reporting requirements for large public interest entities.	Reform and extend reporting, including the European Sustainability Reporting Standards (ESRS), to improve data quality, comparability and reliability.	From minimal transparency to integrated, standards-based strategic reporting
Terminology	Use the term "non-financial information"	Replace the term with 'sustainability information'.	Recognizes the economic value of ESG information; important symbolic and conceptual shift.

Subjects	Only large public interest entities with more than 500 employees.	All large enterprises (regardless if listed), and listed SMEs (except micro enterprises).	It significantly expands the scope to include thousands more companies.
Subsidiaries	Exempted if included in a consolidated report.	Still exempted, but with strict transparency requirements (name of parent company, link etc.).	The exemption is conditional on structured public information.
Standardization	Non-binding guides.	Mandatory Standards (ESRS) developed by EFRAG.	Remove inconsistencies and fragmented reporting.
Subsidiaries in third countries	Not regulated.	If they generate more than €150 million turnover in the EU and have a subsidiary or branch in the EU - they are obliged to report.	Introduces requirements for non-EU companies with significant activity in the EU, ensuring a level playing field.
Domains	Environment, social issues, human rights, corruption.	ESG (Environment, Social, Governance), plus business model, strategy, goals, objectives, progress, due diligence, impact etc.	Triple coverage, increasing visibility of ESG risks.
Materiality	One-way, i.e. the impact of factors on the company.	Double materiality: and the company's impact on the environment/society.	Obliges companies to consider both external risks and their own environmental and social impacts.
Reporting framework	International standards (GRI, UN, OECD etc.)	Mandatory, European Sustainability Reporting Standards (ESRS), developed by EFRAG.	Moving from voluntary choice to enforced standardization and EU standardization.
Audit	Report existence confirmation only.	Sustainability report must be audited (limited assurance); stricter requirements possible later.	Ensures credibility and trust through external verification, reducing greenwashing.
Place of publication	Included in management report or separate report.	Public Sustainability Report in standardized digital format (XHTML).	Enter mandatory, easily accessible and automatically processable digital format.
Accessibility	Choosing the company.	Accessible publication obligation, including in central registers or on website.	Reporting becomes part of Europe's public information infrastructure.

Source: developed by the author

According to the differences between the two directives, highlighted in Table 1, it can be seen that the CSRD Directive is a profound paradigm shift in the architecture of corporate reporting, marking the transition from a declarative to a normative and strategic approach, integrating sustainability into the business model and corporate governance (Martinčević et al., 2024). Practically, the CSRD significantly expands the scope of sustainability reporting to include all large enterprises and listed SMEs, with the exception of micro-enterprises. Thus, about 50,000 companies will have to comply with the new requirements (Ruohonen & Kullas, 2024), which creates significant pressure on administrative capacity, especially for SMEs (Celli et al., 2024).

The CSRD Directive integrates the European Sustainability Reporting Standards (ESRS) developed by EFRAG, introducing a single, binding framework to harmonize reporting practices across the European Union. Unlike the flexible approach in the NFRD, which allowed companies to use varied international frameworks such as GRI, TCFD or UNGC, the new directive imposes a common reporting structure, covering both strategy, governance, risk assessment and specific topics such as: environmental, social and governance factors (Odobaša & Marošević, 2023). Basically, this standardization will ensure comparability across companies and industries, as well as consistency of

ESG information over time, thus facilitating the assessment of non-financial performance by investors, lenders, public authorities and other stakeholders (Martinčević et al., 2024). At the same time, this common reporting framework contributes to reducing ambiguity in data interpretation, improving transparency and limiting greenwashing practices (Ruočhonen & Kullas, 2024).

As the ESRS are structured on the principle of dual materiality, they include qualitative and quantitative requirements, key performance indicators and narrative obligations. Practically, the CSRD Directive by introducing the concept of dual materiality obliges companies to report both financial risks and opportunities as well as the impact of their activities on the environment and society, thus providing a more complete picture of the sustainable performance of firms (Morganho et al., 2025). In terms of credibility and veracity of reported sustainability information the CSRD requires auditing of reported sustainability information, initially through limited assurance, which enhances the credibility of reporting and reduces the risk of greenwashing (Zdolšek, 2023). Ensuring the accessibility and transparency of sustainability reporting is facilitated by reporting in XHTML format through integration into European digital platforms. By doing so, the CSRD Directive contributes to the digitization of the sustainability reporting infrastructure, which is essential for the EU's green transition (Martínez-Torres, 2024).

Therefore, the implementation of CSRD will prompt firms to review their strategies and business models by integrating ESG risks into their decision-making processes, thereby strengthening resilience and long-term competitiveness (Raković, 2025; Glaveli et al., 2023). At the same time, by implementing the new directive, it is expected that firm sustainability reporting performance will increase, contributing to the disclosure of the most transparent and reliable information to all stakeholders.

Table 2 Determinants of sustainability reporting, firm performance and CSRD compliance

Domain	Key findings
Determinants of sustainability reporting	<ul style="list-style-type: none"> - Firm size, ESG performance and industry influence the demand for voluntary sustainability reporting auditing (Vander Bauwhede & Van Cauwenberge, 2022). - Board independence, meeting frequency and risk assessment positively influence reporting (Abdul Rahman et al., 2024). - Countries with strong auditing standards and firms with reporting experience are more inclined to voluntarily provide information (Macuda & Zieniuk, 2024).
The relationship between firm performance and sustainability reporting	<ul style="list-style-type: none"> - Financial performance (ROA, ROE) can positively moderate the link between board characteristics and CSRD compliance (Bello et al., 2022). - Sustainability reporting is positively associated with firm market value (Vander Bauwhede & Van Cauwenberge, 2022). - CSR activities in areas such as community and environment positively affect performance (ROA, Tobin's Q) (Chan & Fong Yew Ong, 2022).
Compliance and challenges related to CSRD	<ul style="list-style-type: none"> - CSRD introduces detailed requirements, including reporting of sustainability risks and targets; large firms adapt more easily (Brans et al., 2024). - Firms already under previous directives (NFRD) proactively improve their reporting, but new firms do not show an increase in voluntary reporting (Kosi & Relard, 2024). - Adopting scientific metrics in reporting can lead to long-term strategic benefits (Operato et al. 2025). - The level of reporting maturity varies significantly across sectors; the link between strategy and financial targets is often poorly delineated (Glaveli et al. 2023).

Source: developed by the author

Studies in the literature identify a variety of factors that influence sustainability reporting, ranging from firm size and board characteristics to ESG performance and the country's regulatory context (Table 2). Practically, sustainability reporting is not just a formal obligation, but the result of complex organizational dynamics with both internal and external determinants. Several studies (Operato et al., 2025; Vander Bauwhede & Van Cauwenberge, 2022) indicate that sustainability reporting can generate value for the company, being associated with an increase in market value or

an improvement in financial performance, supporting the idea that sustainability, when well integrated, is not a burden but a vector of competitive advantage.

The CSRD Directive comes with more rigorous and standardized requirements, including reporting on sustainability risks, targets and policies. Studies show that large firms with experience in reporting adapt faster (Kosi & Relard, 2024), but others, less prepared, will face difficulties, thus highlighting a risk of polarization between "sustainability leaders" and firms that are just starting the compliance process. Some papers emphasize that financial and non-financial reporting should be harmonized, not treated as separate domains (Glaveli et al., 2023). Firms that fail this integration risk providing inconsistent or confusing reports, which can undermine stakeholder confidence.

And in the context of CSRD, sustainability reporting is not just a simple compliance exercise, but a complex process influenced by organizational, strategic and governance factors. To turn obligations into opportunities for performance and differentiation, firms need to invest in sustainable governance, transparency and the integration of ESG objectives into their business model.

Findings

The literature and regulatory reviews have revealed a paradigm shift in the way sustainability is integrated into corporate strategy. The new CSRD Directive contributes to increasing regulatory compliance, while at the same time transforming sustainability reporting into a strategic tool for assessment and competitive differentiation. A first relevant result highlighted by the literature review is that the determination of motivations for sustainability reporting varies according to the economic context and firm size. For example, in developed economies, firms are motivated by stakeholder pressure and capital market requirements, whereas in emerging economies, regulatory and reputational compliance motivations predominate. It has also been found that the impact of sustainability reporting on firm performance is not uniform. Some studies argue that there is a positive relationship between the degree of sustainability transparency and economic and image performance (Laskar, 2018; Kasbun et al., 2016). At the same time, other researchers (Buallay, 2024; Monteiro et al., 2024) emphasize the lack of a direct effect or even negative effects in some sectors. Another important outcome is that the implementation of the CSRD Directive will create additional pressures on companies not previously required to report, in particular due to compliance costs and the lack of qualified personnel in sustainability reporting. Thus, in the first years of implementation, the quality of reporting could be modest and comparability low.

Practically, as mentioned above, the discussions in the literature reviewed indicate the need to recalibrate reporting systems and to integrate sustainability into business models, not just as an obligation but as a strategic performance vector. There is also a need to develop integrative indicators linking financial performance with environmental, social and governance (ESG) performance to facilitate informed managerial and investment decisions.

In terms of the implications of the CSRD Directive on companies and SMEs in Central and Eastern Europe, it can be noted that some economies in the region, such as Romania, Poland, and Bulgaria, have a low level of maturity in sustainability reporting, as well as poor expertise in the field of ESG, compared to Western European countries. In this sense, the transition and implementation of the CSRD is a colossal effort for these economies, which will require them to strengthen their internal capacities and digitize not only on paper, but also in practice, in order to collect data and create a business support network for the implementation of the directive. The implementation of the directive for the business environment in Central and Eastern Europe can be a strategic opportunity to increase investment attractiveness and cross-border competitiveness. However, this will only be possible if economies and the business environment do not treat this directive merely as an obligation on the part of the EU, but consider it a strategic tool for sustainable development.

Conclusions

Sustainability reporting is a sensitive topic that needs to be analyzed, especially in the context of the new Directive on sustainable corporate reporting. This study highlights the establishment of a new paradigm, sustainable governance, whereby sustainability reporting becomes a strategic tool integrated into the business model, and not just a compliance obligation. The comparative analysis between Directive 2014/95/EU (NFRD) and Directive 2022/2464/EU (CSRD) demonstrates the transition from minimal transparency to a regulatory framework with mandatory standards (ESRS), based on the principle of dual materiality. This change obliges firms to link ESG risks and opportunities to the environmental and social impacts of their activities, transforming non-financial indicators into long-term drivers of competitiveness. At the same time, the results of the

documentation show that the determinants of sustainability reporting, firm size, ownership structure, stakeholder pressure, governance maturity are reconfiguring under CSRD, emphasizing the role of external audit and digitalization in increasing the credibility of the reported information. At the same time, the variability found in the literature on the relationship between ESG reporting and financial performance suggests the need to redefine the concept of performance through a system of integrated indicators capable of quantifying the tangible value of sustainability and the impact of ESG reporting on financial performance.

In this context, the present research contributes to the literature by clarifying the interdependence between corporate governance and ESG performance in a consolidated European legislative framework and highlighting the determinants of reporting and their effects on firm performance.

This research can be continued by analyzing the impact of CSRD on profitability and cost of capital. In addition, sectoral and cross-country comparative studies could be carried out to clarify the differences in the quality of sustainability reporting between SMEs and corporations, as well as between EU and non-EU firms with significant exposure to the European market.

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