

## Failed ESG Implementation in Romania A Call for Transparency and Action

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In recent years, Environmental, Social, and Governance (ESG) principles have become increasingly prominent in the global business landscape. Yet, in Romania, the journey towards meaningful ESG implementation has hit stumbling blocks, with companies lagging notably behind their international counterparts in transparency and reporting.

A recent report by PwC Romania sheds light on the stark reality facing Romanian firms: while there is a growing awareness of ESG strategies, there is a significant lack of understanding regarding reporting requirements and standards. This deficiency in transparency is underscored by findings from the Global ESG Monitor (GEM), which reveals that Romanian corporations significantly trail global peers in non-financial ESG reporting.

The Global ESG Monitor's 2022 report for Romania paints a concerning picture, indicating that companies listed on the BET 20 index average just 41 out of 100 possible points in ESG reporting. This places Romanian firms at the bottom of the pack compared to their European counterparts, such as those listed on the EUROSTOXX and DAX indices. The lack of transparency highlighted by the report is not only detrimental to stakeholders and investors but also hinders Romania's ability to align with global sustainability standards.

The GEM report also emphasizes the nascent stage of ESG reporting assessments in Romania, with the country trailing behind even its European peers. While there have been some positive developments, such as the availability of ESG scores for companies listed on the Bucharest Stock Exchange (BVB) through platforms like Sustainalytics, progress remains slow.

A joint study by PwC Romania and BVB further reinforces the urgent need for action, revealing that for most Romanian listed companies, non-financial reporting is primarily viewed as a compliance issue. Shockingly, only 30% of companies have an implementation plan for ESG objectives, and a mere 10% have an integrated business and sustainability strategy.

The implications of this lag in ESG implementation are significant, as highlighted by the PwC 2021 Global Investor ESG Survey. Investors worldwide are increasingly factoring ESG considerations into their investment decisions, with nearly half expressing willingness to divest from companies that fail to address ESG issues adequately. Moreover, the survey underscores that lack of action on ESG concerns can influence investor voting decisions and even executive pay agreements.

In light of these findings, it is evident that the failure to prioritize ESG implementation in Romania is not merely a missed opportunity but a significant risk factor for companies and investors alike. To address this challenge, concerted efforts are needed to enhance transparency, improve reporting standards, and integrate ESG considerations into corporate strategies.

Initiatives such as the ESG guidelines launched by BVB in collaboration with the European Bank for Reconstruction and Development (EBRD) represent positive steps forward. However, sustained commitment from both public and private stakeholders is essential to catalyze meaningful change.

In conclusion, the time for action is now. Romanian companies must recognize the imperative of ESG implementation, not only for the sake of compliance but as a strategic imperative for long-term sustainability and competitiveness in the global marketplace. Only through collective effort can Romania unlock the full potential of ESG principles to drive positive impact and value creation for society and shareholders alike.

**References - Weblinks:**

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