

FINANCIAL MANAGEMENT REGARDING ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

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ABSTRACT

The new business models are oriented towards a green area, friendly to the environment and based on social responsibility and sustainable corporate governance. The impact of these measures seeks to protect the biological environment in which society lives, therefore the competitive economic environment. To make this possible, a set of rules is needed, which are either represented by legislative packages or by a specific fiscal system, applicable to the areas of interest. As a result, a financial incentive is needed to protect the environment. Taken as a whole, companies on the free market are competing through the lens of profit most of the time. The opportunity cost of ESG impact is this environment. A company's finances are mirrored with the benefits or costs generated by new ways of working. In order for organizations to be encouraged to change the paradigm, it is necessary that the lack of compliance with the legislation leads to a higher opportunity cost and therefore to higher costs. Companies are starting to pay more attention to the financial area on the ESG side. One of the main reasons is fines as a disincentive. On the other hand, as a set of rewards are tax exemptions to steer organizations towards the desired approach. Thus, the production of energy under its own regime or participation in specialized companies through financial contribution exempts the economic agent from certain taxes. Reducing waste by recovering packaging or quantities of plastic bottles exempts companies in the retail sector from fines. In order to be able to operate in this way on the market, it is necessary to change the traditional financial management. If new operating barriers appeared on the market, but applied uniformly, then the costs of operating on the market for economic agents did not become higher. The consequence is that of a greater monetary flow, a stronger financial circuit and the development of new market segments.

KEYWORDS: *environment, ESG, financial statement, tax.*

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1. INTRODUCTION

Companies can operate in the private market as long as they are profitable companies. By exceeding the profitability level, i.e. the threshold at which costs equal profits, you can ensure your continuity. Before this goal can be achieved, companies must pay careful attention to proportion of financing, because the first section of their existence is more about survival than development. The market experiences frequent and periodic modifications that modify the financial cycle and lead alterations in market barriers (Ohl & Constantinou, 2022). One of the highly significant benefits of a company is consequently its adaptability. Either large companies adapt very conveniently because they have

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the required resources, or they are the ones who begin a recent business model and are consequently pioneers in the growth of new service segments (Gafni et al., 2022). The highly significant and ongoing obstacle that free market companies in Europe desire to consider is the ESG segment. Modern issues about environmental protection, social incorporation and covering hidden costs in relation to the effect of companies on society are translated into two modern techniques of business administration. The first option is ESG (Environmental Social Governance). The aim is to identify and measure the rate of fairness of companies in terminology of social techniques and the incorporation of organizations in the operation of the economy. Fundamentally, this concept necessitates that companies no longer seek profit at all costs, but only from ethical and moral activities for society. The second element is CSR (Corporate Social Responsibility) and aims to tackle companies' difficulty for social responsibility in relation to the environmental practices they carry out (Aobdia & Yoon, 2023).

The latter element necessarily aims to observe whether suppliers act ethically from a business perspective, whether they impose waste management processes, whether they promote the growth of renewable energy by contracting renewable resources to energy producers, and other factors related to the promotion of the Environmentally beneficial practices. Now it's time to systematically analyse the company's practices. Companies are classified according to the implications of their actions outside the subject of activity. Therefore, earnings management remains a critical ethical challenge for companies. Management that manipulates earnings may take environmental, social, and governance (ESG) measures to defend itself from stakeholder (Janicka & Sajnóg., 2022).. ESG involvement is sometimes regarded as a type of executive misconduct and a way of concealing manipulative practices. Therefore, the major goal of companies that wish to remain related in the market is to examine the association between ESG disclosure and earnings management levels in the ongoing economic context. More specifically, ESG is an abbreviation for Environmental, Social and Governance (Almubarak et al., 2023). It is a paradigm for evaluating the non-financial performance of a company. ESG is data about companies' potential risks and is adopted as an essential approach for long-term investments. Companies use ESG information as a cue to inform stakeholders about the sustainability of their business. In addition, disclosing ESG information enhances transparency within the company about its environmental, social and governance practices. ESG issues generate more incentives for managers, investors and stakeholders to devise better decisions and assessments. ESG therefore results in an increment in the accessibility and quality of information. This is meant to reduce the information asymmetry between companies and stakeholders (Bruna et al., 2022). ESG information can be utilized to assess and measure positive and negative environmental, social and financial impacts so that risks can be effectively managed, approaches developed, recent perspectives on growth opportunities and the requirements of various stakeholders taken into account. From the opinion of stakeholder theory, the main interests of stakeholders lie in the subjects of environmental, social and governance. There is a relationship between the ESG performance of organizations and their financial performance, which arises through stakeholder perceptions (Almubarak et al., 2023).

2. LITERATURE REVIEW

The evolution of contexts and speculations regarding the connection between CSR/ESG and corporate finance started in the early 1970s. Interest in the aid of CSR (and therefore ESG) by economic market companies only heightened in the mid-2000s, when the Principles for Responsible Investment (PRI) were introduced. Since then, scholars have increasingly examined the correlation between CSR/ESG compliance and several aspects of corporate economic performance (CFP) (Almubarak et al., 2023). However, the problem of the expense of debt for companies that publish non-financial reports is relatively hardly examined. Research in this area has proved that companies

that disclose non-financial information, profit from better conditions when they take on debt. Regarding the correlation between the growth of ESG measures and abnormal returns of shown companies, investigation results are inconclusive. Modern companies now rely on ESG aspects in most of their activities. The findings suggest that environmental and good governance practices have a negative influence on economic activity in terminology of returns. At the identical time, companies in economic difficulty tend to adopt social aspects as leverage to attain financing or be exempt from certain taxes. This indicates that companies in economic distress tend to disclose more ESG practices and engage in earnings management. Furthermore, by breaking down the three ESG parts of environmental, social and governance, it was found that the effect of environmental and social elements on earnings management is positive and robust, while the governance score was negative (Aobdia & Yoon, 2023). Thus, on the one hand, the recent working principles represent market entry and market barriers, and on the other hand, they become new chances for integrating financial actors into the financial area (Bellora & Fontagné., 2023). The criteria provided in the type of assessments are findings that attract the attention of numerous actors involved in the financial sector, such as regulators, policy makers, probable internal and external investors and auditors. In addition, knowledge from companies, as well as recent segments that develop owing to the market's desire to achieve certain results, warn policymakers about the usefulness, of the policies they impose, as well as the avoidance of questionable practices such as moral or legal probity. It identifies four main pillars that guide companies through ESG systems and assistance them gain a strategic advantage while attaining the values required to be classified as high-performing companies (Weston & Nnadi, 2023). These four elements consist of investment success, customer demand, product scheme and ethical considerations. In this context, earnings management can use ESG initiatives to defend itself from stakeholder activism and vigilance (Almubarak et al., 2023). The primary cause of data for companies is economic reports, with earnings broadly being the key performance marker for analysts and investors. Fully aware of this fact, business leaders turn to managing accounting and economic numbers to attain expected outcomes in the short term. In this case, earnings management refers to the handling of financial reporting to attain private benefits. In addition, earnings management refers to a broadly intentional practice driven by opportunistic behaviour or management information goals to present positive financial suggestion that conflicts with actual information (Gafni et al., 2022). Earnings management is the highly significant ethical issue facing management in the economic reporting process, and earnings management practices have their roots in the principal-agent conflict in which management adopts questionable and misleading accounting algorithms to achieve personal benefits. The new working techniques imposed and measured by ESG-specific working techniques ultimately uncover the less fair and competitive intentions of companies. Lack of visibility results in lower performance ratings and consequently lower market acceptance. In addition, low values can have negative effects, so they can be adopted as tools to limit activities by authorities (Bruna et al., 2022).

Table 1. Main Pillars on which ESG score was created

| PILLARS | ENVIRONMENTAL | SOCIAL | GOVERNANCE |
|----------------|-----------------------------|------------------------|----------------------|
| 1 | Climate Change | Human capital | Corporate Governance |
| 2 | Pollution & Waste | Stakeholder opposition | Corporate Behavior |
| 3 | Environmental opportunities | Social opportunities | |

Source: adapted from MSCI data-score

Companies that illustrate their ESG dedication to maintaining environmental, social and governance activities are perceived by stakeholders as transparent, skilful and integrity-oriented companies. However, earlier studies have revealed that companies engaging in ESG activities tend to pursue opportunistic management goals, leading to tensions between management and stakeholders

(Almubarak et al., 2023). Given the harm that earnings management can cause, there is an urgent desire to examine the association between ESG disclosure and earnings management in an economy with emergent surveillance approaches that cannot monitor all topics of corporate activities. From an environmental social governance perspective, several interplay between financial and non-financial reporting have been diagnosed that increase management confidentiality in economic reporting, disclosure and reporting on ESG (green disinformation) activities, all of which are included into the stakeholder communication strategy. In principle, companies are forced to manage the environmental area just as responsibly as the economic reporting they have to submit to the authorities. While from a economic perspective companies try to optimize the value of their debts and costs based on their profitability, from an environmental management context companies tend to optimize the proportion of their involvement. The desire to perform above average market levels exerts to environmental practices as well as economic reporting activities (Almubarak et al., 2023). Companies that illustrate their ESG devotion to maintaining environmental, social and governance activities are perceived by stakeholders as transparent, skilful and integrity-oriented companies. However, earlier studies have demonstrated that companies engaging in ESG activities tend to pursue opportunistic management goals, leading to tensions between management and stakeholders (Bruna et al., 2022). Given the harm that earnings management can cause, there is an urgent desire to examine the correlation between ESG disclosure and earnings management in an economy with emergent surveillance approaches that cannot monitor all fields of corporate activities. From an environmental social governance perspective, several interplay between financial and non-financial reporting have been diagnosed that increase management confidentiality in economic reporting, disclosure and reporting on ESG (green disinformation) activities, all of which are included into the stakeholder communication strategy. In principle, companies are forced to manage the environmental area just as responsibly as the economic reporting they have to submit to the authorities (Janicka & Sajnóg, 2022). While from a economic perspective companies try to optimize the value of their debts and costs based on their profitability, from an environmental management context companies tend to optimize the value of their involvement. The desire to perform above average market levels exerts to environmental practices as well as economic reporting activities. In other words, the quality percentages of financial reporting and ESG reporting represent the quality of the decisions produced by economic actors (Ohl & Constantinou, 2022). Currently, there are two directions that can explain the association between the economic impact and the environmental and social implications that companies suffer and that ascertain the chance cost that companies ascertain to decide on the direction of joint efforts and the elaboration of the Company strategies to be able to decide short-term strategy. On the one hand, transparency and correctness of financial reporting will rise as earnings management declines. This is owing to the ethical management of companies that strictly adhere to regulations and ethics, i.e. ESG procedures. That is, excellent sustainable management practices increase yield accuracy. In fact, ethics motivates managers to be trustworthy and honest because these behaviours are advantageous to the company (Aobdia & Yoon, 2023). On the other hand, numerous individual-level studies based on personal quality in leadership positions propose that corporate managers only engage in ESG when such activities bring personal benefits. Management carries out ESG practices to attain better media coverage, alleviate stakeholder govern and gain corporate legitimacy. Companies whose managers pursue aggressive profit management policies tend to use ethical and social policies to hide their true activities from shareholders. Such a positive correlation is owing to managers' need to gain the trust and assistance of stakeholders while mitigating termination risks that may arise from the negative effect, influence of earnings manipulation practices on the company's value and popularity in the market (Weston & Nnadi, 2023).

Therefore, our investigation predicts that management can use ESG to hide its mistakes and substantiate to all stakeholders that the company is transparent (Gafni et al., 2022). Although some companies are integrating viable initiatives into their operations, objective evidence on viable disclosure practices, social and environmental performance, and earnings management has listed inconsistent and mixed results (Aobdia & Yoon, 2023). This highlights the urgency of assessing contextual and moderating determinants that may play a role in changing the ESG-outcomes management relationship. Corporate practices uncover financial hardship as a potential govern mechanism underlying the connection to the ethical benefits in financial gains. Financial difficulties necessarily refer to the likelihood that companies will be incapable to meet their economic obligations. Financial difficulties are assumed to affect earnings management practices within firms because managers' incentives are assumed to variation in difficult situations (Almubarak et al., 2023). This is well-known in emerging markets, where there is a lower extent of shareholder monitoring and minority investor safety compared to evolved markets. Despite current strict disclosure standards, involvement in disclosure and regulatory requirements relevant to corporate social responsibility (CSR) in developing countries is still high. Companies experiencing some extent of financial distress that could modification their reporting behaviour and trigger negative investor reactions can be minimized. The extent of readiness to provide qualified ESG reporting varies between companies in economic difficulty and those not in economic difficulty (Kotsantonis et al., 2016). The management of companies in economic difficulty must expect their services to be reduced, replaced and their reputations damaged.

Therefore, this management can take the possibility to hide such declining performance by utilizing various accounting methods that can increase sales and hide losses (Janicka & Sajnog., 2022). Given the significance of listed companies with accrued losses and their influence on the performance and importance of financial markets, identifying their influence on the management correlation of profits from ESG practices will assistance decision makers make relevant decisions regarding this class of companies (Bruna et al., 2022). Likewise, the argument for the legitimacy of favouring land gains over ethical and moral gains may lie in the fact that engaging in earnings management can pose a real threat to corporate governance, but could still keep the company afloat. In fact, it can be seen that more and more companies are managing their earnings in a way that can increase the risk to corporate legitimacy (reducing environmental assessment). Corporate practices gain social legitimacy when they remain consistent with prevalent societal ethics and values (Almubarak et al., 2023). Therefore, as companies report more ESG sustainability to the company, this may impact their earnings management. ESG activities in sustainability disclosure can motivate companies to be more honest, enhance transparency and morale, and alleviate information asymmetry between the company and stakeholders, and also alleviate management's capability to practice earnings management. Management could use ESG to engage in opportunistic behaviour while optimizing their popularity with stakeholders and hiding their negative behaviour (Ohl & Constantinou., 2022). Policymakers engage in ESG and CSR activities to attain their own benefits. It is assumed that opportunistic management behaviour is present and consequently there is a positive association between ESG and earnings manipulation (Kotsantonis et al., 2016). In other words, managers adopt ESG reporting and performance to cover their opportunistic earnings behaviour, and when this happens, they can vigorously adopt earnings management. For this reason, ESG management reflects reputational certainty and allows the presentation of earnings management and negative economic information. Furthermore, the relationship between ESG disclosure and earnings manipulation can be noticed in the perspective of earnings manipulation by managers, which results in a decline, if not a loss, in stakeholder trust. To address this issue, ESG reporting and performance should be transparent to stakeholders (Bruna et al., 2022).

From a business and organizational culture perspective, earnings manipulation could bring in about managers being elucidated to unfair employee behaviour, customer misunderstanding, investor

pressure, partner defection, legal action from regulators, activist boycotts, community illegitimacy, and media exposure. These threats can eventually destroy the company's image, reputational capital and the company's image as a legal legacy. The activism and vigilance of stakeholders can be defended by firing the manager, resulting in a bad popularity for the company. Management must receive safety from influential stakeholders (Domanović, 2023). Additionally, stakeholder legitimacy and satisfaction is required. Therefore, management is involved in numerous environmental and social practices. The board is incentivized by stakeholders to do good by adopting CSR and ESG practices. Managers involved in earnings management broadly employ socially responsible practices to maintain the assistance of their stakeholders and find that sustainability-focused activities can be adopted as a potent tool to gain the help of end-users of economic information (Wang et al., 2023). As a result, ESG may exacerbate agency glitches and provide managers more motivation to engage in earnings management to hide their practices from outsiders. A reasonable justification for this outcome is that managers desire to gain stakeholder corroborate and alleviate the probability of firing owing to the negative effect of earnings management practices on a firm's popularity and value. We can also notice a positive, socially beneficial connection between environmental data disclosure, a segment of CSR and ESG reporting, and earnings management practices. When management conducts ESG activities to hide certain practices and guarantee that the company is transparent. Codes of ethics are utilized by managers as a mechanism to attain their personal objectives instead of corporate goals. Codes of ethics could be utilized by managers as a tool to attain selfish goals, and managers could adopt CSR activities to attract more media attention, restrict detailed monitoring by stakeholders, and guarantee their legitimacy in the community society (Jonsdottir et al., 2022).

3. METHODOLOGY

The highly significant research technique is a in-depth literature search. To draw conclusions, techniques of analysis and synthesis are used. The work is based on positive and normative approaches. The positive technique highlights main changes in corporate reporting in times of uncertainty, calculated in light of legitimacy hypothesis and stakeholder theory. The document illustrates how different rates of uncertainty (economic policy uncertainty, business uncertainty, accounting uncertainty, audit uncertainty, ESG performance ambiguity and ESG security) can influence corporate reporting and consequently cause a significant shift in corporate responsibility. The proposed regulatory technique implies that corporate reporting is more accountability-based and comprises uncertainties at different levels, which should be aided by reporting companies, operators and regulators. Since there are few studies that concentrate on corporate reporting in times of uncertainty, the dissertation fills this gap. The article contributes to understanding the significance of ambiguity in corporate reporting and its effect on accountability, thus offering potentially advantageous insights for hypothesis and practice (Hamori et al., 2022). After establishing a possible connection between ESG disclosure and earnings management, the second step is to examine the part of financial distress in this context. Based on this argument, CEOs may adopt sustainability initiatives and disclosure to hide opportunistic behaviour, a premise consistent with agency theory, which posits that managers in economic distress think about reaping gains for their own benefit. Previous investigations in this perspective have concluded that companies manipulate profit enhances during economic crises.

These practices represent management's failure to get out of the downsides caused by bad investments and other serious cases that ultimately led to bankruptcy (Gerged et al., 2023). The expectation of near-term economic difficulties increases the chance that management will seek optional accruals that will increase sales. Corrected text Companies and investors have recently revealed considerable, interest in ESG (environmental, social and governance) issues (Janicka &

Sajnog., 2022). Given the voluntary nature of corporate ESG reporting, concerns have lately been raised about greenwashing and the reliability of companies' claims. In this context, there have been initiatives to review and guarantee companies' ESG efforts, and regulators and accounting standards have begun to investigate how information can be combined into financial reporting. In addition to these initiatives, auditors have also illustrated considerable interest and begun to claim expertise in ESG issues, and both normal setters and auditors are increasingly concentrating on the relationship between ESG issues and audits. This paper investigates whether auditors understand the effect, influence on their audits (Mio et al., 2023). The actions exhibited by the authorities concentrate, center on financially significant ESG problems that have a material effect on internal regulates and economic reporting and could negatively impact the performance of an audit. In particular, the authorities are exploring whether auditors are more likely to identify and report significant internal control problems in financial reporting after their clients experience significant adverse ESG events. If necessary, they also review whether this connection is connected to incorrect data in the annual economic statements. Regular measures taken aim to guarantee that auditors understand the influence of ESG on their audits.

4. FINDINGS

On the other hand, auditors may be confused by outdated or interim standards because they do not exercise adequate professional scepticism to assess optimistic statements from management and may miscalculate their clients' remedial attempts. If clients do not sufficiently address operational or compliance govern issues and auditors do not fully appreciate the effect of these issues, auditors may mistakenly feel that internal govern issues are solved and, in response, reduce the incidence of material shortcomings even though such issues still exist (Almubarak et al., 2023). To separate these two alternatives, the association between the announcement of significant ESG events and the probability that the company will restate its economic statements for that economic year is analyzed. In summary, viable management refers to management activities aimed at attaining sustainable growth by increasing shareholder value and company competitiveness by meeting the predictions of various stakeholders. Sustainable management aims to diminish negative environmental and social impacts and contribute to viable development. These various, several definitions of sustainable management reinforce the harmonious evolution, advancement of the economy, society and the environment by emphasizing non-financial performance (Mio et al., 2023). As a result, retail investors, comprising institutional investors, and numerous company stakeholders, comprising consumers and employees, assess the company based on the ESG effectiveness score of sustainability management. Sustainable and social management is determined by three main elements, which have been described as a form type of management that seeks viable growth based on a harmonious basis of economic profitability, environmental sustainability and social responsibility for viable management and delivers beneficial findings for customer necessitates long term, not only short term (Almubarak et al., 2023). Consequently, sustainability management can be split, separated into economic, ecological and social responsibility aspects. Economic viability encompasses economic determinants ranging from profitability to job creation, environmental sustainability spans from greenhouse gases to green production, and social responsibility extends from human rights to social contribution. He therefore argued that all three views should be taken into consideration and that these three concepts are interlinked and interdependent so that they can have international impacts in different ways (Almubarak et al., 2023).

In addition, the idea of socially responsible investing is a concept evolved on CSR components, produced with the aim purpose of promoting general financial growth and further improvement of society through viable growth of the company. The phenomenon of considering ESG in investment

decisions has become much more evident during the COVID-19 outbreak. Even before COVID-19, ESG was highlighted as a recent trend in corporate governance aimed at reducing carbon emissions, circular economy, social contribution and transparent corporate governance (Jonsdottir et al., 2022). However, the new outbreak has reaffirmed the significance of ESG as companies face operational disruptions, supply chain disruptions, improved air quality and important changes in customer value. Corrected text In the past, environmental safety and social contributions were recognized as social costs that were not directly responsible and were deemed incompatible with industrial growth. In most cases, with industrialization, numerous companies deemed growth as greater value and sacrificed social values. However, as ESG management has lately become an important business paradigm, companies are concurrently pursuing two objectives in their business activities: social value and financial feasibility for viable development (Domanović, 2023). As the industry grows, more and more stakeholders, comprising consumers, local communities, local governments and governments, and environmental groups, are demanding ESG responses from companies. As the industry grows, consumer need for environmentally friendly and social products, understanding of ethical management and business opportunities will increase accordingly, and companies will increase their shareholder value through non-financial benefits such as developing environmentally friendly products and marketing social contributions (Fadilah et al., 2022).

There is a strong relationship between environmental performance and economic performance of companies, and notably for new growth industries and environmentally-related companies, companies' environmental contribution activities and profit rates have a high correlation. The impact of a company's environmental performance on company value from a resource-based perspective demonstrates that the higher the environmental performance of a company in a high-growth industry, the higher the company's performance. Companies with comparatively greater room for social responsibility and viable growth are richer. Therefore, it is assumed that companies with high corporate surplus, size and performance are more likely to engage in social responsibility activities.

These findings indicate that social activities are active in high-growth industries where numerous growing companies are concentrate (Almubarak et al., 2023). Therefore, as a company grows, it receives more focus from stakeholders, so a growing company will invest more in regions that can create social value, which will have a positive effect on increasing company value. ESG effectiveness varies depending on the proportion of concentration in the industry in which the company is based. Industrial concentration, an indicator of the value of competition between firms in a sector, is connected to the rate, of industrial competition. Depending on the structure of the industry, the proportion of competition varies by industry and there is a discrepancy between industries that are very competitive and those that are not. As competition intensifies, managers undertake multiple strategic attempts to achieve targeted profits or stop competitors from entering the market (Gerged et al., 2023). In the product market, the lower the industrial concentration, the fiercer the competition becomes, resulting in a company's lower profitability and an increment in operational risk (Jonsdottir et al., 2022). In a very competitive market, companies face high danger of bankruptcy and competitive threats, so stakeholders and shareholders increase their interest and monitoring of the company. In these situations, it is essential to develop and implement not merely strategies relevant to business activities, but also multiple strategies that take stakeholders into account, comprising social investments and economic activities (Mio et al., 2023). It is noted that ESG activities can be adopted as a competitive scheme to attain sustainable competitive advantages. ESG information reduces information asymmetry between companies and stakeholders and is utilized by investors to create decisions about a company's economic performance. In a low concentration industry where competition is fierce and business risks are increasing, ESG information will have a risk mitigation function that enhances the long-term sustainability of the company (Chang & Lee, 2022).

On the other hand, since the market is monopolized owing to high industrial concentration, there are no competitors, so profits can be conveniently made without investments or special efforts. Financial performance is consequently comparatively less affected by ESG initiatives (Bellora & Fontagné., 2023). Accordingly, the following theory is proposed. Industrial growth is an important variable of industrial structure and a commonly cited basis for measuring future performance in the competitive environment of multiple industries. It is also an indicator of industrial advancement relative to recent market entrants. Companies in high-growth industries are perceived as a more attractive market from an investor's perspective. Therefore, industrial growth is an main part in deciding whether to develop or develop fields of activity for companies. As the industry grows, companies become portion of a well-developed society and are responsible for all the actions they take. There is also a growing recognition that owners and managers take responsibility for mistakes. This means that as the industry grows, so does corporate responsibility and participation in ethical management, such as: growing public interest and national guidelines, are continuously increasing. In other words, environmental, social and governance activities are also increasing in ratio to the industry's growth trend. ESG activities have consequently become a central task for companies as the environment changes, for instance owing to industrial growth. Growing industries also provide companies comparatively more chances to expand their business (Almubarak et al., 2023). New business opportunities can be synthesized by solving societal issues such as pollution, aging and workplace mismanagement that can occur in high-growth industries. For example, heightened sales of environmental products due owing to the rise in particulate matter, the arrival, appearance of an active market for seniors owing to an aging population, and the absence of jobs offer chances to secure talent. In addition, these activities can enhance the company's image, reinforce customer loyalty, additional accelerate sales growth and consequently increase the company's value. In such a growing industry, ESG will increase the company's amenability to secure further business and increase its value. On the other hand, as the industry enters the maturity phase, the potential for additional growth is limited and consequently financial performance is relatively unchanged by ESG initiatives (Gafni et al., 2022).

On the one hand, accounting principles, reporting requirements, economic disclosure and incidence of reporting are highly harmonized across the EU. In particular, the obligation for non-financial reporting within the EU is specified in directives on non-financial reporting. In addition, companies' corporate governance rules regarding economic and non-financial reporting are expected to be related to the continental European accounting model. This framework enables a comparative review between Member States, in particular on whether public companies disclose non-financial information relevant to environmental, social and governance (ESG) issues, on the other hand from a historic perspective. From this perspective, the business environmental reporting model can be used to different legal and financial framework conditions (Wang et al., 2023). EU countries can exert national reporting requirements and non-financial reporting systems. Pressure on companies to publish ESG reports could come from local regulators and usually affects large companies shown on major markets. The expense of information and, to some extent, the media can influence companies' environmental reporting strategies. Although companies are characterized by a diversified method to ESG disclosure compared to economic reports, the association between capitalization and the statistically significant ESG index is broadly positive despite comparatively low strength (Chang & Lee., 2022).

The mixture of the concept of sustainable advancement and the activities of the economic sector gave rise to the notion of sustainable finance, which is mainly associated with the transfer of funds to low-carbon projects. This interpretation significantly constraints its meaning and shifts the focus to green finance, which is described as financing investments that offer environmental advantages of the perspective of environmentally viable development (Fadilah et al., 2022). Green finance is deemed through the prism of economic instruments and activities that bring positive adjustments to

the environment and society. The fundamental condition of a company/eco-project is its contribution to reducing greenhouse gas emissions. Green finance is therefore segment of sustainable finance, but the concepts are not synonymous. There are numerous definitions of viable finance in the literature, defining this concept both generally and narrowly. Sustainable finance refers to finance and institutional and market correlations that contribute to viable growth by supporting the Sustainable Development Goals. In the broadest sense, viable finance also means financing that not merely includes capital flows, risk management activities and economic processes, taking social-ecological determinants into account, but also promotes the long-term stability of the economic system (Chang & Lee, 2022). The EU is vigorously pursuing a viable economic recovery, comprising reform of the financial procedure in agreement with the hypotheses of sustainable development. This is an important cornerstone of the reimagined Capital Markets Union project, which objectives to mobilize public and private investments to help the transition to a low-carbon and resource-efficient circular economy. The focus moves to accelerating the development of funded green and low-carbon projects. Financial plans at the European level that concentrate on achieving specific aims based on ESG indicators set three main objectives: (1) redirecting capital flows towards viable investments in mandate to achieve viable and inclusive growth; (2) addressing economic risks from climate change, resource depletion, environmental degradation and social problems; (3) Promoting transparency and long-term sustainability of economic and financial activities.

Although long-term investments are deemed necessary for viable reconstruction, the short-term technique now dominates owing to financial pressure on results. However, research does not prove a clear link between the long-term nature of investments and the growth of ESG measures in a company. In order for capital to reach companies that take environmental, social and management determinants into account, investors must have access to these and information. ESG reporting, also known as non-financial reporting, can therefore be regarded as an necessary prerequisite not merely for increasing the investment volume in sustainably operating companies, but also for viable economic reconstruction (Bellora & Fontagné., 2023). ESG is a framework that can be employed to evaluate companies against a range of socially preferable objectives. It describes a set of components used to estimate the non-financial effect of certain investments and companies. ESG also presents a variety of business and investment opportunities (Almubarak et al., 2023). While there is growing proof that ESG can be a profitable method to project choice for companies and investors, and corporate social responsibility results in better economic performance overall, regulators have a role to play in generating the right incentives and prohibitions to expedite the transition to a low-carbon economy. Europe has used significant ESG regulations over the last years and is now at the forefront of ESG implementation globally. The sake of this regulatory activity was not just, simply, merely to support ESG investing and inspire investors to consider environmental, social and governance aspects in their investment decision-making process, but also to require companies to comply with ESG control obligations overall . This has encouraged ESG disclosure by companies, notably when pioneered by institutional investors, and much, yet more so when pioneered by long-term institutional investors. In addition, ESG activism plays a major part and is necessary for companies listed the increasing incidences of social media. ESG-oriented goals also lead to a range of targets and mechanisms from governments. The European Commission is working on expanding green infrastructure (Chang & Lee, 2022).

The European Central Bank, together with other central banks, is committed to greening the economic system. ESG has become increasingly important not just on the demand side of investments, but also on the supply side. The need for long-lived assets has significantly boosted the provision of such assets and attracted the attention of companies. Since the notable emergence of ESG in the 2000s, the literature has suggested that, far from leading to worse results for companies than those that do not investigate environmental issues in their decision-making, concentrating on

corporate social responsibility has the opposite implication increase returns and alleviate financial risk. Since Friedman, there has been a long discussion about the relationship between CSR, corporate value and performance (Almubarak et al., 2023). Despite over 50 years of research, there are various, several different discussions and viewpoints on this subject and there is no agreement on it. CSR practices can occasionally reflect the willingness of corporate managers to fulfil their fiduciary duty and create importance for their shareholders. The specific need for companies and asset managers is to report data on the level of sales, capital expenditure or operating expenses of such large non-financial corporations that relate to environmentally viable economic activities and performance metrics tailored to large economic corporations (Jonsdottir et al., 2022). A set of regulatory technical standards (RTS) have been evolved by European regulators to improve the EU taxonomy (Domanović, 2023). The aim is to reinforce publication requirements at product level and ensure compliance with the environmental aims of the EU taxonomy. The standards cover the fundamentals of the data on the "do no significant harm" idea that applies to all viable investments. Additionally, main changes in product disclosure include: (1) identifying the environmental or social aims to which the product contributes; (2) the degree to which the investment is consistent with the EU taxonomy, comprising an external audit of compliance with the taxonomy; and (3) further data on mandatory pre-contractual and periodic disclosure models for economic products with environmental or social objectives. Another example of this is the EU's carbon border modification mechanism (Bellora & Fontagné., 2023).

The mechanism currently under debate would impose a tax on imported carbon-intensive products to trigger behavioural modifications and defend companies from carbon leakage: companies shift their construction (and emissions) to other non-EU countries to bypass the high costs for stopping pollution in Europe. The same effect ascribed to the carbon tax could be appropriate to the EU's new proposal on deforestation and forest degradation. In November 2021, the EU adopted a proposal to guarantee that EU products do not contribute to forest degradation and deforestation. In the subject of supply chains, the EU has used a resolution requiring corporate due diligence for EU companies or companies doing business in the EU. Experts imagine that the EU regulation will reflect existing regulations in the participant states in numerous respects and set a lower limit (Wang et al., 2023). Cohesion mechanisms take into consideration the influence of international trade, as the private sector necessitates to use standards to operate in the region, supporting the diffusion of EU regulations. Therefore, multinational corporations would be obliged to comply with European regulations as the price of access to their market. As with other industries, these companies will likely use these standards across their international operations to circumvent the costs of complying with many regulations. For too long, environment and trade have taken different paths, and now is the scope for a global dedication to trade and environmental cohesion to combat climate change. ESG development is presented by several regulations, comprising outside the EU (Gafni et al., 2022).

Uncertainty is an important function of the financial environment and consequently an integral section of business life. Uncertainty arises from any event that a company cannot directly forecast or influence and that may lead to negative outcomes. So it is a state of partial information or paucity of capability to predict the future outcome (Mariani, 2023). There is no direct communication as this would violate gender rules. However, corporate reporting as a reflection of corporate performance can embody metric ambiguity and variations in measurement, structural uncertainty owing to the difficulty of operations, temporal ambiguity in future and past states, and translational ambiguity in explaining ambiguous outcomes. Investors, preparers and reviewers should provide data about valuations and relevant information, the results of which rests on future events, which by definition are not presently known (Almubarak et al., 2023). As the scale, scope and causes for uncertainty proceed to change, challenges may arise. Preparers are likely to assess future economic and nonfinancial results from uncertainties intrinsic in numerous business transactions, and auditors

should review subjective judgments about these ambiguities in both economic auditing and sustainability assurance (Domanović, 2023).

The comparability of economic indicators is negatively associated to financial policy uncertainty. However, high accounting quality can alleviate the negative effect of uncertainty on companies' investments and valuations. High rates of economic policy uncertainty bring about less fresh knowledge being communicated to companies, which can inspire managers to manipulate accounting numbers toward the desired economic reporting outcome. In addition, there is a close link between avoiding ambiguity and evaluating the materiality of economic reporting, considering that account contextual determinants such as the political, economic, social and historic environment. ESG reporting is important to maximizing stakeholder wealth over the long term under ambiguous conditions. Some study advocates that environmentally conscious companies are less elucidated to systematic risks (Hamori et al., 2022). Organizations facing greater ambiguity use more nonfinancial quantifies because they are expected to facilitate organizational decisions and actions. Some study advocates that the application of nonfinancial performance measures results in improved firm performance when there is greater environmental uncertainty, although such quantifies are more likely to have a positive effect, influence on performance in circumstances of greater environmental uncertainty. ESG disclosures are a more reliable indicator of ex-ante ambiguity than an indicator of post-sale risk and replace some of the more traditional measures, such as the age of the company. Furthermore, although political ambiguity reduces corporate performance, sustainability information disclosure mitigates this destructive impact of political ambiguity on corporate performance because investments in CSR offset the negative implications of economic policy ambiguity on corporate economic performance (Mariani, 2023).

5. DISSCUSION

Reporting must adapt to variations in accountability as companies must act in times of ambiguity to meet stakeholder expectations and generate a stakeholder-focused report that meets their information needs. Accountability recognizes stakeholder engagement as a core principle for optimizing the accountability and transparency of social practices. Therefore, the new high volatility in business conditions, comprising changing stakeholder audiences, necessitates flexible reporting adapted to the recent conditions. In addition, regulation is needed to ensure a minimum extent of risk disclosure. It follows from this dualistic technique that recent calls for corporate responsibility are normative and problem-specific, while others address the implications of human actions more holistically. There are various ways companies can respond to calls for corporate responsibility in ambiguous times, and corporate reporting is meant to be a tool that illustrates how to attain goals while taking responsibility. Reporting of economic and non-financial information is supposed to remain related to enhance management's accountability to investors, the wider stakeholder community and the company when relying on existing audit and assurance systems (Bruna et al., 2022).

The interdependencies between dynamic risk materiality and dynamic accountability to a broader set of stakeholders necessitates organizations to adapt their risk management and reporting to respond promptly to emergent scenarios. Such a response to the dynamic development of risk materiality will also contribute to strengthening legitimacy. Therefore, in times of uncertainty, risk management should be redefined based on classical and ESG-related parameters to diminish uncertainty and introduce innovations to tackle the effect, influence of the crisis. Because risk reporting is combined into financial and non-financial reporting, it can become an invaluable tool for companies to legitimize their actions and strategic aims during an international crisis. The strategy of communication and presentation of a long-term time horizon should also be integrated in the risk report in mandate to demonstrate the long-term sustainability of the company (Mariani, 2023). By

externally disclosing more detailed data about risks and uncertainties, a company enhances transparency and enhances alignment between the organization and its extensive range of stakeholders. It is hoped that the robustness of the economic and non-financial information disclosed will be additionally ensured and complemented by transparency. These premises allow a normative method to corporate reporting in the ongoing liability debate. Therefore, the proposed regulatory technique implies that corporate reporting should become a more accountability-based model that takes into consideration uncertainties at different levels and that it should be aided by three streams (reporting companies, operators and regulators) (Aobdia & Yoon., 2023).

6. RECOMANDATIONS

A common ESG interest of science and industry is therefore ESG effectiveness. It refers to the role of a company's non-financial performance in corporate governance. In fact, it is still ambiguous whether ESG, a non-financial performance, has a positive effect on company value from a merely financial perspective. ESG activities are strategic decisions fabricated by managers to increase the future importance of the company. While a decrease in costs spent on ESG activities may bring about cost savings in ongoing financial statements, there is no ensure that increasing ESG spending will increase revenues for the coming year or period. A manager's strategic actions to increase the company's future value are eventually influenced by the environment, as the company necessitates to compete or gain a competitive advantage. Accordingly, it is required to consider external environmental factors that influence ESG activities. The external environment that directly influences a company encompasses industrial characteristics such as the concentration of competition and the growth incidence within the industry to which the company belongs. Since companies grow by interacting with the environment around them, the industrial environment that directly influences companies is closely affiliated to increasing company value (Almubarak et al., 2023).

Therefore, a company's ESG activities may be carried out differently depending on the industry environment and the effect on company value may also vary. In other words, ESG activities can alter depending on the industry environment to which the company belongs. However, if the industrial environment impacting the company is not taken into account, the practicable implications between ESG and shareholder value may be insufficient. Consequently, managers must consider the environmental properties of the industry to which the company belongs to ascertain which ESG level it should be raised to for future performance (Hamori et al., 2022). ESG is an important asset that calculates a company's future competitive advantage and profitability and does not seem in its economic reports. Therefore, analyzing the value consequences of its performance will be one of the important investigation tasks. In addition, for this study to become practicable academic research, it must be a investigation capable of solving the company's concerns and responding to its needs. In mandate to continuously promote the progressively growing ESG, it is required to analyze the effect on the company's value, considering that account the specifics of the industry to which the company belongs. Therefore, this investigation focused on industrial characteristics determinants and attempted to experimentally confirm that the effect on firm value from a firm survival context may differ depending on ESG levels.

7. CONCLUSIONS

Companies have lately sought to adapt their reporting to recent uncertain business conditions through longer corporate reporting, stakeholder engagement, linking scheme to sustainability and better risk reporting. These adjustments can be a critical step in explaining the findings to stakeholders, stopping a loss of corporate trust and strengthening corporate legitimacy. However,

there is still a legitimacy gap as well as a credibility gap. According to our research, the new period of ambiguity is being deemed as a fraud-related crisis, increasing the danger of fraud in economic and ESG reporting. The companies have neither reported data about the long-term effect of the existing ambiguity situation on their future potential nor have they found results to this financial uncertainty (Domanović, 2023). Certain risks to stakeholders, notoriously customers and suppliers, have not been cautiously analyzed or disclosed. Therefore, the extent and procedure of uncertainty disclosure may alleviate the robustness of information and affect its comparability, thus reducing its usefulness. Therefore, in addition to the positive approach, the dissertation emphasizes a normative method to corporate reporting. The paper proposes a normative technique that assumes that corporate reporting sufficiently discloses the ambiguities identified, mitigated and substantiated at its multiple levels (economic policy uncertainty, business uncertainty, accounting uncertainty, audit uncertainty, ESG performance ambiguity and ESG security) (Chang & Lee., 2022).

This study contributes to this literature by emphasis the main changes in corporate reporting in the perspective of the new crisis, considering the effect of uncertainty at different levels on corporate reporting, and giving guidance for more accountability-based reporting. In terms of practicable input, the consequences for financial and ESG reporting are numerous. The effect of uncertainty on corporate reporting may prompt managers to define a more transparent reporting strategy. Since a broader breadth of accountability is expected for dialogue between a company and multiple stakeholders, the regulatory technique is proposed to tackle the legitimacy and credibility discontinuities identified in the study (Mio et al., 2023). These business consequences relate to important policy consequences and to the need for controllers and regulators to adapt reporting guidelines to formulate communication more understandable while giving companies with general and clear guidance on ambiguity reporting. Thus, this investigation can assistance researchers, policymakers, and entrepreneurs gain a deeper insight on corporate reporting in times of uncertainty. Like most conceptual studies, the work has limitations (Hamori et al., 2022).

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