As global warming progresses, implementing green finance to redirect resources into sustainable initiatives has emerged as a crucial strategy for governments to develop financial systems that are carbon-free, green, and sustainable (Jin et al. 2024). Hence, there has been an increase in stakeholder pressure on executives and boards of directors to prove that their enterprises are operated ethically and integrate green practices into their corporate image (Arduino et al. 2024). Considering the growing shift in investor sentiment toward these ecologically sensitive issues, stakeholders are becoming more concerned with different facets of companies instead of just their turnover, and thus, they prefer to allocate their funds to firms that operate transparently, use green practices, and promote equitable society (Sariyer et al. 2024). Fiorillo and Santilli (2024) reported a beneficial connection between company ESG performance and shareholder goals, emphasizing the need to align investor preferences with corporate sustainability targets. Hence, the increasing relevance of environmental, social, and governance (ESG) considerations signals a substantial change in how investors, stakeholders, and the general public perceive enterprises (Rahat and Nguyen 2024). ESG is an extension of Corporate Social Responsibility (CSR) and an essential metric to assess companies’ commitment to environmental preservation and sustainable development (Niu and Wang 2024). The “E” pillar addresses the industrial influence on the natural landscape (Senadheera et al. 2021). The “S” dimension reflects the company’s effect on the societal systems in which it runs (Baid and Jayaraman 2022). The “G” component outlines the way power of decision is allocated among different groups of stakeholders within a corporation (Lehn 2021). Therefore, the ESG concept is an effective tool on the path to achieving the “carbon neutral” target (Chen et al. 2023). Additionally, the long-term growth, competitiveness, and overall advancement of a firm’s global sustainable development are contingent upon its ESG performance (Zhang et al. 2024c).

The incorporation of ESG factors into investment evaluation and selection is also supported by the Principles for Responsible Investment (2017). Additionally, the Sustainable Stock Exchanges Initiative (2015) is a networking framework that evaluates how partnerships among policymakers, regulators, investors, and companies might promote responsible investment for sustainable development (Sustainable Stock Exchanges Initiative 2015). In this vein, a growing number of companies are including ESG components into their strategy design to boost their brand, acquire investments, and achieve a competitive edge (Xue et al. 2024). Zhang et al. (2024a) proved that superior ESG performance promotes investment due to benefits such as an enhanced reputation, cost savings, and sustainable access to marketplaces. Han and Wu (2024) reinforced that boosting company value is supported by higher corporate ESG ratings. Additionally, Rahman and Wu (2024) showed that targets with strong ESG performance might support acquirers to enhance their own ESG performance, which boosts market valuations. On the contrary, Duuren et al. (2016) underscored that inadequate social and environmental leadership might hinder the ability of a company to operate effectively. For instance, Wong and Zhang (2024) argued that when opposing views of ESG intensify, investors penalize the stock price of companies with extra
cash. In the same vein, Xue et al. (2023) emphasized that ESG conflicts might adversely affect a business’s ability to invest, which may result in inadequate funding.

Putting emphasis on initiatives related to sustainability while assigning company funds would be beneficial for managers and decision makers (Ademi and Klungseth 2022). Hence, those in leadership positions view ESG as a reliable mechanism for investing, even at the expense of the company’s long-term worth (He et al. 2023). Additionally, the mitigation of firm risk is an essential component in a company’s ability to maximize its profits and achieve sustainability (Chen et al. 2024). Thus, Zhang et al. (2024b) supported the idea that strengthening ESG performance may effectively reduce a company’s risk of litigation. Bonacorsi et al. (2024) argued that companies that operate in areas with stringent carbon emission standards or higher data security face lower credit risk. Moreover, Luo et al. (2024) confirmed that good ESG performance decreases the risk of collapses in the stock market.

Companies might experience expenses and constraints as a consequence of their ESG projects, but they might also be offered premium pricing from the capital markets (Hsu and Huang 2024). It is imperative for executives to understand that ESG is a powerful tool that can yield financial and non-financial benefits for their companies (Pinheiro et al. 2024). Moreover, incorporating ESG elements into investment and strategic decision-making practices may be effective throughout periods of instability (Ricci et al. 2024). As such, Wang et al. (2024) highlighted that firms with higher ESG performance tend to be more resilient, and Gao and Geng (2024) confirmed that companies with strong ESG performance fare better during times of crisis. Baek and Song (2024) proved that the volatility of equity returns is usually lower for firms with high ESG performance compared to enterprises with poorer ESG performance. Moalla and Dammak (2023) stated that good ESG performance lowers stock price volatility and stabilizes stock prices during turbulent times. Likewise, Broadstock et al. (2021) proved the endurance of stocks with strong ESG performance during market-wide financial meltdowns. By examining organizations that have various ESG ratings, Saci et al. (2024) found that companies with higher scores are much less vulnerable to systemic risk.

Institutional investors, rating agencies, and consumers expect corporations to be transparent regarding their ESG achievements (Veltri et al. 2023). Kimbrough et al. (2024) noticed that when firms willingly release ESG reports, there are fewer disagreements among ESG rating agencies. Consequently, Veeravel et al. (2024) supported the idea that firm performance is strengthened by ESG disclosure scores, while He and Ismail (2024) acknowledged that the cost of corporate debt financing can be considerably reduced through ESG information reporting. Furthermore, according to Malik and Kashiiramka (2024), ESG disclosure is also considered by financial markets for lenders when assessing creditworthiness.

This book comprises 12 papers published in the Special Issue entitled “Corporate Finance and Environmental, Social, and Governance (ESG) Practices”, addressing a wide range of topics related to corporate reporting (sustainability reporting; environmental accounting information disclosure and financial risk; compulsory preliminary profit and loss disclosure and stock prices; capital expenditure and ESG disclosure; and International Financial Reporting Standards (IFRS) disclosure and the cost of equity capital); essential drivers of enterprise value (the mediating role of ESG scores in the association between board gender diversity and firm value; promoters’ holdings, institutional holdings, dividend payout ratio and firm value; leverage and firm value; sustainable finance, capital and firm value); the impact of agency issues, as well as ESG, socially responsible investing (SRI), ethical investing, and impact investing, on corporate performance; and perspectives concerning the way the automobile sector is evolving to produce zero-emission vehicles.

With reference to corporate reporting, Contribution 1 conducted an extensive review of the reporting on sustainability. The authors highlighted the benefits of sustainability reporting, which promotes accountability and transparency and notifies stakeholders of the company’s economic, social, and environmental performance. With respect to the Vietnamese stock market, Contribution 2 examined the link between environmental ac-
counting information disclosure and corporate financial risk. The release of environmental accounting information has been found to have an adverse effect on financial risk in both the current and subsequent year. Contribution 3 explored whether Korea’s obligatory preliminary profit and loss disclosure policy impacted stock prices and revealed that the effect of corporate financial disclosure may differ depending on the category of the stock market and industry sector. The impact of capital expenditure on ESG disclosure and the moderating role of corporate governance were examined in the UK setting in Contribution 4. The outcomes revealed that capital expenditure and ESG disclosure exhibit a positive relationship, which is stronger for companies with more effective corporate governance. Contribution 5 explored the effect of implementing IFRS on the cost of equity capital for listed firms located in the European Union, and found an adverse relationship between the two factors.

Regarding the underlying factors that influence firm value, Contribution 6 focused on how ESG scores mediate the connection between board gender diversity and company value in Saudi Arabia. The empirical results showed that the presence of a female director had a positive relationship with ESG scores, but a negative link was found between the presence of a female director and firm value. Considering the Indian context, Contribution 7 assessed the link between promoter and institutional holdings and the dividend payout ratio and firm valuation. The outcomes suggested a beneficial connection between the selected variables. Moreover, listed non-financial firms in India were also investigated by Contribution 8, which examined the influence of debt ratio on firm value and established that leverage ratio adversely impacts company valuation. Contribution 9 examined the effects of sustainable finance and the capital adequacy ratio on company value in the banking sector within the context of the ASEAN stock market. Empirical evidence suggested that sustainable finance and capital have a significant impact on corporate value.

Contribution 10 focused on the agency problem and its impact on financial performance and highlighted the significance of making sound decisions to mitigate agency issues while boosting company performance. The purpose of Contribution 11 was to analyze the body of research on the effects of ESG, SRI, and ethical and impact investing on portfolio and financial performance. The findings suggested that managers can mitigate risks, make better-informed investment decisions, and take chances to achieve sustainable growth by incorporating ESG elements and being actively involved within corporations.

Contribution 12 explored the automotive market’s economic and technological components, with a focus on the challenges associated with electric motorization. It was concluded that implementing a transition to electro-motorization is feasible when cars are powered by renewable energy sources, and battery and component fabrication has no environmental impact.

In brief, with underpinnings in ethics and sustainability, ESG factors offer investors a broad perspective to assess possibilities and risks and pinpoint paths to long-term value creation (Zhang et al. 2024a). Hence, the mainstreaming of ESG considerations into the overall corporate strategy reinforces the premise that sustainability is not only a compliance concern, but is also a crucial element of decision-making processes (Rahat and Nguyen 2024). Companies should use ESG to establish facts, create positive public perception, and strengthen confidence among stakeholders (Luo et al. 2024). The papers presented in this Special Issue advance our understanding of corporate finance and environmental, social, and governance (ESG) practices and offer compelling directions for future study.

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