EDITORIAL: Making ESG real in the theoretical and empirical debate

Dear readers!

Investors, society, and policymakers have all paid growing attention to environmental, social, and governance (ESG) topics over the past few years, pushing businesses to adopt sustainable practices and stakeholder-focused initiatives.

Motivated by the goal to promote sustainability at all levels, policymakers in particular have implemented a number of recommendations and regulations on environmental, social, and governance concerns. The reference is to the Directive 2014/95/EU (the Non-Financial Reporting Directive, hereafter the Directive), which required large European companies to disclose nonfinancial statements (NFS) regarding environmental, social and board-diversity themes in their annual reports (or in a separate report) from 2018 onward (Veltri et al., 2023). In April 2021, the European Union (EU) further issued a series of ESG-oriented normative decisions, such as the proposal for modifying the Directive into a “Corporate Sustainability Reporting Directive”, the introduction of the “Sustainable Finance Disclosure Regulation”, and the “Benchmark Labeling and ESG Disclosure Requirements” initiative (Buchetti et al., 2022). All these initiatives aimed at expanding the scope of the Directive, by obliging all EU companies to disclose ESG information (Mazzotta & Veltri, 2022; Tenuta & Cambrea, 2022).

Literature has increasingly examined ESG issues are determinants for future value creation (Henisz et al., 2019; Zumente & Bistrova, 2021), producing mixed results (Berg et al., 2022; Cornell & Damodaran, 2020; Cucari et al., 2018; Darwall, 2021; Engle et al., 2019).

A possible explanation is that ESG is seen as an outcome instead of thinking of ESG as a corporate strategic process and not an outcome, and this could have caused that sometimes ESG efforts have been seen as a greenwashing strategy.

A potential solution is thus to redirect the focus on the ‘G’ in ESG (Strine et al., 2022), on ESG issues as the constituent of the corporate strategic decisions, as an input more than an output.

The recommendation is thus to do research on the intersection of corporate governance (CG) and ESG, to explore ESG under a CG lens. The literature on CG and ESG is in fact an emergent field characterized by vast diversity and heterogeneity, especially in terms of the topics under study and the theoretical approaches used.

A recent systematic literature review (Buchetti et al., 2022) highlights that, in recent years, the investigation of CG in relation to different ESG measures has gained momentum in academic research. The topic has received academic attention only recently, with the first paper published in 2010 and the majority of these articles published in the last four years (2019–2022).

The authors found that eight are the CG attributes (namely board gender diversity, ownership structure, the proportion of independent directors, chief executive officer (CEO) characteristics, board size, directors’ compensation, the presence of sustainability committees and the meeting frequency) that have mainly been investigated in prior research, in association with seven different ESG indicators (namely ESG disclosure, ESG performance, ESG risk, ESG strategy/engagement, ESG and carbon emissions, ESG greenwashing, and ESG assurance) under multiple theories (with a prevalence of stakeholder theory and agency theory) using mainly empirical quantitative econometric methods.

Among the CG areas, the most studied is gender diversity, mainly within EU nonfinancial industries. Within ESG indicators, the ESG disclosure score is the most widely used ESG indicator in relation to CG themes, derived from the Bloomberg dataset, followed by ESG performance indicators, derived from Thomson Reuters Eikon. Briefly, the authors’ findings highlight that female directors, institutional investors, independent directors, some specific CEO characteristics, directors’ compensation, the presence of a sustainability committee and the frequency of board meetings positively impact ESG indicators. Starting from the findings of Buchetti et al. (2022) and consistent with the authors, we suggest that accounting researchers should consider investigating CG areas not yet investigated, such as managerial ownership, directors’ experience in specific

ESG-related sectors and CEO tenure, adopting different methodologies beyond quantitative (e.g., qualitative and mixed research methods), other sources of data beyond archival data (e.g., interviews or case studies) as well as new sectors beyond non-financial industries (e.g., the financial sector).

The role that accounting scholars could play in the CG-ESG research is relevant, as most of the studies analyzed in the Buchetti et al. (2022) systematic review have been published in scientific journals belonging to the accounting area, suggesting that the accounting community could play a key role in deepening our understanding on the role of corporate governance on ESG research, which is a research field emerging and fruitful to make ESG able to really change the companies' strategies including them within corporate strategic decisions and offering more critical insights on the theoretical and empirical debate.

The recent issue of the journal *Corporate Ownership and Control* has a multi-disciplinary focus such as board of directors, firm performance, sustainability, CEO practices, auditing, etc., and contributes to the previous research by Tutino et al. (2023), Konstantinidis et al. (2022), Arora and Singh (2021), Rainero and Modarelli (2020), and Kostyuk (2003).

All these issues are strongly linked to the ESG issue too. We hope that you will enjoy reading these papers.

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