External Stakeholders and Environmental, Social & Governance (ESG) Disclosure: Review and Conceptual Model

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ABSTRACT

ESG is widely used by both the investment community and non-investor corporate stakeholders as a shorthand for environmental, social, and governance issues that affect corporate behaviour and the ability of a company to create long-term value for their stakeholders. By early 2020, over 80 countries have introduced sustainability reporting instruments that either mandate or encourage corporate organisations to disclose their current and future ESG commitments (Lugt & Wijs, 2020). However, recent literature revealed that mandatory disclosure affects an organisation's propensity to file an ESG report but does not increase the average quality of filed reports (Krueger et al., 2021). This implies that new approaches are needed to encourage quality reporting, specifically among those companies that have yet to publish any quantitative data. Against this backdrop, policy makers are urged to leverage on the distinctive contextual pressure exerted by external stakeholders to induce corporate organisations to commit towards greater sustainability practices, However, there is a dearth of empirical studies that examine the influence of external stakeholders on corporate ESG disclosure over time. Despite consensus were established in the extant literature as to which stakeholders are influential on ESG disclosure, their influences are ambiguous, context-dependent and vary over time depending on the issues considered (Yunus et al., 2019).

Keywords: ESG, Sustainability Reporting, Stakeholders