

The Impact of ESG Factors on Performance Measures in European Business

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Abstract : This research proposal seeks to delve into the intricate relationship between performance indicators and sustainability metrics within the realm of corporate entities. As businesses grapple with the imperative of sustainable practices, understanding how traditional performance metrics intersect with sustainability indicators becomes paramount. This study endeavours to unravel the dynamics of this relationship, aiming to illuminate ways in which these two sets of metrics can be harmoniously integrated to offer a comprehensive evaluation of a company's success while considering its environmental and societal impact. The integration of performance measures and sustainability metrics has become a focal point in contemporary business literature as companies strive to balance economic success with environmental and social responsibility. Performance indicators traditionally focus on financial metrics such as return on assets, return on equity and profitability. Sustainability metrics, on the other hand, encompass environmental, social, and governance (ESG) factors. The challenge lies in aligning these diverse metrics for a comprehensive assessment. Researches indicates a growing trend among corporations to incorporate sustainability metrics into their performance evaluations. However, challenges persist, with companies often struggling to integrate non-financial indicators seamlessly. The works of GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board) propose frameworks for harmonizing financial and sustainability reporting. These frameworks emphasize the need for companies to disclose material sustainability information alongside traditional financial metrics. Several studies suggest that integrating sustainability metrics positively influences decision-making. Companies considering sustainability factors in decision-making exhibit improved long-term performance and risk management. Other researches highlights the increasing importance of sustainability metrics in shaping stakeholder perceptions. Investors, in particular, are placing greater emphasis on companies' environmental and social performance when making investment decisions. Industry-specific studies underscore the need for customized approaches to integration due to sector-specific challenges and opportunities. This suggests that a one-size-fits-all solution may not be applicable across diverse industries. While progress is evident, challenges persist, necessitating further research to refine integration frameworks, address industry-specific nuances, and assess the long-term impact on organizational performance and societal contributions.

Keywords : ESG, ROE, ROA, performance measures

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