



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN MANAGEMENT (MIM)

MASTERS FINAL WORK

DISSERTATION

ESG DISCLOSURE AND VALUE ADDED CREATION: EVIDENCE FOR EUROPEAN FIRMS

RONCZKA FELIX

FEBRUARY 2026



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RESUMO

Os indicadores ambientais, sociais e de governança (ESG) são amplamente utilizados para avaliar a sustentabilidade corporativa, embora as medidas ESG baseadas na divulgação capturem principalmente a transparência, em vez do desempenho de sustentabilidade subjacente.

Este estudo examina se a divulgação ESG está associada a resultados económicos observáveis dentro das empresas, em vez de percepções do mercado.

Utilizando um conjunto de dados de painel de 470 empresas não financeiras do STOXX Europe 600 durante o período de 2005 a 2023, a análise investiga a relação entre a intensidade da divulgação ESG, o valor acrescentado ao nível da empresa e as estruturas de fluxo monetário relacionadas com as partes interessadas. O valor acrescentado é decomposto em pagamentos a funcionários, governo, credores, acionistas e valor retido dentro da empresa.

Os resultados mostram uma fraca associação positiva entre a divulgação ESG e o valor acrescentado total, impulsionada principalmente pela divulgação da governação, enquanto a divulgação ambiental e social não revela qualquer relação consistente com a criação de valor agregado. Mais importante ainda, a divulgação está associada a diferenças sistemáticas na composição dos pagamentos às partes interessadas. As empresas com maior divulgação retêm uma maior parte do valor gerado e reportam pagamentos mais baixos a credores, funcionários e governo, enquanto os pagamentos aos acionistas permanecem inalterados.

Essas conclusões indicam que a divulgação de informações ESG está ligada ao ambiente informacional da empresa, e não a melhorias no desempenho em sustentabilidade. A transparência parece influenciar as condições contratuais e os padrões internos de alocação económica, e não o nível de produção económica em si. Consequentemente, os efeitos empíricos do ESG documentados em pesquisas anteriores podem refletir, em parte, diferenças na observabilidade, e não mudanças no comportamento real das empresas.

Palavras-Chave: Divulgação ESG, Valor acrescentado, Pagamentos às partes interessadas, Transparência corporativa

ABSTRACT

Environmental, Social, and Governance (ESG) indicators are widely used to evaluate corporate sustainability, although disclosure-based ESG measures primarily capture transparency rather than underlying sustainability performance.

This study examines whether ESG disclosure is associated with observable economic outcomes within firms rather than market perceptions. Using a panel dataset of 470 non-financial firms from the STOXX Europe 600 over the period 2005–2023, the analysis investigates the relationship between ESG disclosure intensity, firm-level value added, and stakeholder-related monetary flow structures. Value added is decomposed into payments to employees, government, creditors, shareholders, and retained value within the firm.

The results show a weak positive association between ESG disclosure and total value added that is driven primarily by governance disclosure, while environmental and social disclosure reveal no consistent relationship with aggregate value creation. More importantly, disclosure is associated with systematic differences in the composition of stakeholder payments. Firms with higher disclosure retain a larger share of generated value and report lower payments to creditors, employees, and government, whereas shareholder payments remain unaffected.

These findings indicate that ESG disclosure is linked to the informational environment of the firm rather than to improvements in sustainability performance. Transparency appears to influence contracting conditions and internal economic allocation patterns rather than the level of economic production itself. Consequently, empirical ESG effects documented in prior research may partly reflect differences in observability rather than changes in real corporate behaviour.

Keywords: ESG disclosure, Value added, Stakeholder payments, Corporate transparency

ABBREVIATIONS

- CSR** – Corporate Social Responsibility
CSRD – Corporate Sustainability Reporting Directive
ESG – Environmental, Social and Governance
ESGC – ESG Combined Score
EU – European Union
EUR – Euro (currency)
GDP – Gross Domestic Product
ILO – International Labour Organization
LSEG – London Stock Exchange Group
MSCI – Morgan Stanley Capital International
NFRD – Non-Financial Reporting Directive
OECD – Organisation for Economic Co-operation and Development
OLS – Ordinary Least Squares
ROA – Return on Assets
STOXX – Stock Exchange of Switzerland (used in STOXX Europe 600)
UNCTAD – United Nations Conference on Trade and Development
VA – Value Added
VAS – Value Added Statement
VIF – Variance Inflation Factor

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CHAPTER 1 – INTRODUCTION

In recent years, businesses have operated in an environment characterised by economic uncertainty, political instability, and increasing environmental challenges. Consequently, expectations towards corporate responsibility have expanded beyond purely financial outcomes (Ioannou & Serafeim, 2015; Matten & Moon, 2008). These developments are closely aligned with the broader sustainability agenda articulated in the United Nations Sustainable Development Goals, particularly SDG 10 (Reduced Inequalities), which emphasises the importance of reducing disparities within and across societies (United Nations, 2015). As a result, corporate responsibility has evolved from a largely normative expectation into a measurable and standardised domain, captured under the umbrella of Environmental, Social, and Governance (ESG) considerations. These considerations have become a central framework for evaluating corporate behaviour and long-term sustainability (Sarrazin et al., 2018). Regulatory initiatives reinforce this development. In the European Union, the Corporate Sustainability Reporting Directive (CSRD) substantially expands mandatory sustainability reporting requirements, strengthening ESG disclosure as a core component of corporate transparency (European Commission, 2022). ESG information is no longer merely voluntary communication but part of the institutional reporting environment in which firms operate. However, ESG is not a uniform construct. A fundamental distinction exists between ESG disclosure and ESG performance. ESG disclosure captures the availability and extent of publicly reported information, whereas ESG performance reflects the underlying quality of sustainability practices (Fatemi et al., 2018; Lopez-de-Silanes et al., 2019). Because disclosure primarily measures transparency rather than operational sustainability, empirical associations involving disclosure should be interpreted as informational rather than behavioural effects (Berg et al., 2022).

While ESG disclosure informs external stakeholders, the extent to which it translates into internal economic outcomes remains largely unexamined, highlighting a gap in the current literature. Most empirical ESG research focuses on market-based outcomes such as firm valuation or stock returns (Eccles et al., 2014; Friede et al., 2015). While these studies provide insights into capital-market reactions to ESG information, they reveal little about how transparency relates to internal economic outcomes within firms. In particular, market-based indicators do not show how economic value generated by the firm is reflected in observable accounting flows (Al Amosh, 2025).

To address this limitation, this study adopts an accounting-based perspective using the concept of value added. Value added measures the economic value generated by the firm and its allocation to stakeholder groups such as employees, governments, capital providers, shareholders, and the firm itself (Gray et al., 2014). This approach is consistent with stakeholder theory, which views firms as networks of economic relationships rather than purely shareholder-oriented entities (Freeman, 2010).

From this perspective, ESG disclosure may affect observable economic outcomes through transparency-related mechanisms such as reduced information asymmetry, improved monitoring, and altered contracting conditions (Donaldson & Preston, 1995; Harrison & Wicks, 2013). These mechanisms suggest systematic differences in the level and structure of stakeholder-related payment flows rather than a uniform redistribution of value. Empirical evidence on such accounting-based relationships remains limited, particularly for European firms (Signori et al., 2021).

The investigation is guided by two research questions. First, whether ESG disclosure is positively associated with accounting-based value creation. Second, whether disclosure corresponds to systematic differences in creation of value for the different stakeholders. The findings illustrate that ESG disclosure is highly related to the value added allocation and that the governance pillar score dominates both results, Value Added creation and allocation.

This thesis advances current knowledge in the ESG literature by making contributions in three distinct respects. First, the analysis explicitly separates ESG disclosure from ESG performance and interprets disclosure as a transparency characteristic rather than a sustainability outcome. It further adopts an accounting-based perspective by focusing on firm-level value added instead of market valuation measures. Finally, it examines how transparency relates to the internal allocation of economic flows across stakeholder groups. By linking corporate transparency to observable allocation patterns rather than capital-market reactions, the study addresses a gap in prior research. In doing so, it relates to Sustainable Development Goal (SDG) number 10 (Reduced Inequalities) by analysing how transparency regimes correspond to differences in the allocational structure of value added within firms, without assuming normative redistribution effects.

The thesis is organized as follows. Chapter 2 a review of the relevant literature. Chapter 3 describes the data and methodology, and Chapter 4 presents the empirical

results. Chapter 5 discusses the findings of this work, while the final chapter draws the conclusions of this thesis, summarizing the main contributions and implications.

CHAPTER 2 – LITERATURE REVIEW

2.1 Stakeholder Theory and Corporate Value Creation

Stakeholder theory posits that firms must create value for a broad spectrum of actors rather than exclusively for shareholders in order to achieve sustainable success. Freeman (1984) defines stakeholders broadly as individuals or groups that can affect or are affected by corporate objectives. Thereby the firm is positioned as a relational system embedded in a network of stakeholder interactions rather than as a purely shareholder-centred institution.

From this perspective, corporations operate within networks of employees, customers, suppliers, communities, and regulators whose interactions jointly shape organisational outcomes.

According to Clarkson's (1995) framework, there is a clear distinction between primary stakeholders, vital for corporate survival (e.g. employees, creditors, governments and shareholders), and secondary stakeholders, whose influence is indirect yet significant (e.g. media or civil society). From this perspective, corporate performance must be understood beyond shareholder returns. It is also necessary to consider outcomes observable in relationships with stakeholder groups. Jensen (2002) further develops this argument through the concept of enlightened value maximisation, asserting that long-term firm value is contingent on maintaining credible relationships with stakeholders whose continued participation is essential for productive activity.

Donaldson and Preston (1995) further differentiate descriptive, instrumental, and normative dimensions of stakeholder theory. The descriptive dimension explains how firms interact with stakeholders, the instrumental dimension links stakeholder relationships to organisational outcomes, and the normative dimension provides ethical justification for stakeholder consideration. Empirical research has largely focused on the instrumental perspective, showing that stable stakeholder relationships are associated with improved innovation, reputation, and resilience (Harrison & Wicks, 2013).

More recent literature conceptualises value creation as a multi-directional process in which firms and stakeholders jointly contribute to economic activity. Freudenreich, Lüdeke-Freund and Schaltegger (2020) describe stakeholders as co-creators participating in reciprocal exchanges rather than passive recipients of corporate outcomes. In a

complementary development, Bridoux & Stoelhorst (2022) introduce the concept of stakeholder governance, referring to institutional arrangements that coordinate interactions among heterogeneous actors and reduce cooperation frictions.

In this study, stakeholder theory provides a framework for interpreting observable economic outcomes within firms. Instead of evaluating normative fairness, the focus lies on measurable accounting flows attributed to different stakeholder groups. The flows, such as wages, taxes, interest, dividends, and retained earnings reflect the economic interactions that occur between the firm and its stakeholders. Examining these components makes it possible to understand how corporate activity is economically structured across stakeholder relationships. For this reason, it connects transparency with stakeholder-related economic outcomes, rather serving as a direct test of whether distributions are equitable.

2.2. Value Added and the Structure of Corporate Economic Flows

To analyse stakeholder-related economic outcomes within firms, it is necessary to define how the economic value, generated by corporate activity and allocated to different stakeholder groups, becomes observable in accounting data. Two complementary approaches are commonly used to conceptualise value added, whereby the thesis is based on the direct method.

The indirect method derives value added from a creation-oriented perspective. Under this approach, value added is calculated as the difference between sales (or output) and the cost of externally sourced goods and services used in production. The measure is grounded in realised transactions because only goods and services validated by market exchange enter the calculation. Consequently, value added is observed ex post through accounting records rather than through physical production quantities (Haller & Stade, 2014). This perspective highlights how value is generated but does not specify how the resulting economic surplus appears in financial flows.

The direct method approaches value added from a decomposition perspective and forms the basis of the value-added statement framework. Instead of deriving value added from production inputs and outputs, it defines value added as the sum of monetary flows attributed to different recipients (Gray et al., 2014). Under this formulation, value added is obtained by aggregating payments to labour, capital providers, the state, and the firm

itself. The framework therefore translates aggregate firm activity into identifiable payment flow categories recorded in financial statements.

Although the indirect and direct methods differ conceptually, they are economically equivalent because total value created must equal the total value attributed to recipients (Haller & Stade, 2014; Gray et al., 2014). The distinction lies in analytical focus, where the indirect method emphasises production processes and the direct method makes the structure of observable economic flows explicit. Within this decomposition, employee compensation includes wages, salaries, and social contributions representing payments to labour (Gray et al., 2014). Payments to government consist of taxes and similar fiscal transfers recorded in financial accounts. Compensation to capital providers includes dividends to shareholders and interest payments to creditors. The remaining component is retained value within the firm, consisting primarily of depreciation and retained earnings. This reflects resources remaining within the organisation after external payments (Gray et al., 2014; UNCTAD, 2020).

Using value added in this way does not imply an evaluation of whether allocations are desirable or equitable. Instead, it provides an accounting-based decomposition of firm activity into stakeholder-related categories. The framework therefore allows empirical analysis of how observable economic flows differ across firms while remaining independent of normative assumptions about fairness or optimal allocation.

In this thesis the indirect value-added concept is used serving as an observable outcome base linking corporate transparency to measurable economic interactions between firms and stakeholder groups.

2.3 ESG Disclosure vs. ESG Performance

Environmental, Social, and Governance (ESG) refers to a framework used to assess corporate activities across three dimensions: environmental impact, social responsibility, and governance structures. Emerging from the broader concept of corporate social responsibility (CSR), ESG gained institutional prominence following the related 2004 United Nations initiative that formally introduced the term into the investment and reporting discourse (Chen et al., 2023).

The environmental dimension evaluates a firm's interaction with natural resources, including emissions, resource use, and waste management (de Souza Barbosa et al., 2023). The social dimension concerns relationships with stakeholders such as employees, customers, and communities, encompassing issues like human rights, equality, and health and safety (Becchetti et al., 2022). The governance dimension refers to corporate oversight structures, including board composition, executive remuneration, and internal control systems (Cek & Eyupoglu, 2020).

Although ESG is often interpreted as a direct indicator of corporate sustainability, the term encompasses conceptually distinct elements. In empirical research, ESG is frequently used as a broad label, even though it may refer either to the substantive quality of sustainability practices or to the extent of related reporting activities. A clear separation between ESG performance and ESG disclosure is therefore necessary, as both constructs capture fundamentally different dimensions of corporate behaviour and should not be treated as equivalent (Fatemi et al., 2018; Lopez-de-Silanes et al., 2019).

ESG performance refers to the extent to which firms integrate environmental stewardship, social responsibility, and governance quality into strategic and operational decision-making (Kotsantonis et al., 2016). Reporting frameworks similarly interpret ESG performance as the outcome of managing environmental and social externalities while maintaining governance structures (Global Reporting Initiative, 2016; OECD, 2020). Performance measures therefore represent assessments of underlying corporate behaviour and sustainability quality.

ESG disclosure, by contrast, reflects the extent to which firms publicly report ESG-related information. Empirical studies operationalise disclosure using indicators capturing the quantity or completeness of information rather than sustainability quality (Lopez-de-Silanes et al., 2019). A prominent example is the Bloomberg ESG Disclosure Score, which explicitly measures reporting coverage and transparency rather than ESG performance. Disclosure measures therefore describe the informational environment surrounding the firm.

Performance indicators rely on different methodological principles. ESG ratings such as MSCI ESG Ratings and LSEG ESG Scores evaluate firms using provider-specific models assessing ESG risk exposure and management quality (MSCI ESG Research, 2024; LSEG, 2024). Because providers differ in scope and weighting, ratings frequently disagree (Berg et al., 2022).

The distinction of ESG performance and disclosure has direct implications for empirical interpretation. If disclosure primarily affects information availability rather than operational behaviour, associations between ESG disclosure and firm outcomes may arise through informational mechanisms such as monitoring, contracting conditions, and risk perception rather than through improved sustainability performance. Regulatory initiatives such as the Non-Financial Reporting Directive (NFRD) and the Corporate Sustainability Reporting Directive (CSRD) reinforce this transparency function of disclosure (European Commission, 2022).

Accordingly, ESG disclosure is interpreted in this study as a transparency variable, whereas ESG performance represents an evaluation of sustainability quality (Lopez-de-Silanes et al., 2019; MSCI ESG Research, 2024; LSEG, 2024; OECD, 2025). The empirical analysis therefore does not assess whether firms behave more sustainably. Instead, it examines whether differences in transparency are systematically associated with observable economic outcomes within firms.

2.4 Economic Mechanisms of ESG Disclosure

Although ESG disclosure primarily reflects transparency rather than underlying sustainability performance, transparency may still be related to economic outcomes. By making corporate activities more observable, disclosure can alter how stakeholders evaluate firms and how expectations are formed. As a result, differences in disclosure intensity may be associated with differences in value creation and stakeholder-related payment outcomes even when operational practices remain unchanged (Healy & Palepu, 2001). Therefore, the subsequent data-analysis in chapter 4 applies a literature-based framework for interpreting and evaluating the regression results. Three key mechanisms are identified through which transparency may be reflected in value added and its allocation across stakeholders.

A first mechanism concerns internal information processing and organisational monitoring. The preparation of ESG reports requires firms to systematically measure non-financial activities and document internal procedures. This process may increase managerial attention and reduce internal information asymmetries. Observable actions can limit agency problems within the firm and improve coordination of organisational processes (Bushman & Smith, 2001). Empirical studies further show that higher ESG

disclosure quality is associated with stronger internal controls and more structured operational routines (Hu & Zhang, 2025). In this sense, disclosure can function as a monitoring device that is consistent with higher reported value added without necessarily implying changes in underlying environmental or social performance.

A second mechanism relates to reputation, stakeholder trust, and financing conditions. When stakeholders face uncertainty about firm behaviour, observable disclosure can act as a signal that reduces perceived opacity. Prior research documents that greater transparency is associated with lower information risk and improved access to capital (Diamond & Verrecchia, 1991; Healy & Palepu, 2001). Similarly, ESG disclosure has been linked to increased legitimacy with investors and regulators and to differences in financing structure (Ren & Mohd Isa, 2025). According to this interpretation, disclosure may be aligned with different financing conditions and transaction costs. These can be reflected in observable accounting outcomes rather than changes in production processes.

A third mechanism operates through risk perception and stability of stakeholder relationships. Uncertainty about corporate behaviour can amplify stakeholder reactions to negative signals. Disclosure clarifies governance structures and operational practices and thereby reduces ambiguity. Increased transparency has been associated with lower information risk and reduced volatility (Leuz & Verrecchia, 2000), as well as greater supply-chain resilience (Hu & Zhang, 2025). Clearer expectations may therefore correspond to more stable economic outcomes, observable in accounting measures even if average operational performance remains unchanged.

Taken together, these mechanisms do not imply that disclosure directly changes firm behaviour. However, they provide theoretical channels through which differences in transparency may be reflected in observable economic outcomes. The mechanisms therefore serve as interpretative explanations for empirical associations between ESG disclosure and accounting-based measures examined in this study.

2.5 The Influence of ESG disclosure on firm-level Value Added and its allocation of monetary flows

ESG disclosure is expected to affect firm outcomes primarily through informational channels rather than through changes in sustainability performance. The value-added

framework is particularly suitable to analyse these effects because it captures both the magnitude of economic activity and the observable allocation of monetary flows across stakeholders (Signori et al., 2021). Prior literature establishes that ESG disclosure primarily captures transparency rather than sustainability performance (Lopez-de-Silanes et al., 2019; Bukreeva & Grishunin, 2023). Accordingly, any empirical association between disclosure and firm outcomes should be interpreted as an informational relationship. Considering the disclosure-based mechanisms, higher disclosure is expected to coincide with differences in reported economic activity. Firms operating in more transparent informational environments may exhibit higher reported value added because internal processes become more observable and measurable, even when underlying operational practices remain unchanged (Bushman & Smith, 2001; Healy & Palepu, 2001). Empirical evidence linking disclosure to firm-level outcomes supports this interpretation. Petrică (2025) finds that higher ESG disclosure is positively associated with firm valuation only in environments where investors are familiar with sustainability reporting, suggesting that the effect operates through information processing rather than operational improvements. Similarly, Alsayegh et al., (2020) show that disclosure benefits depend on institutional context, indicating that transparency affects how information is interpreted rather than how firms produce output. These findings align with the argument that disclosure affects economic outcomes via information quality.

Beyond value creation, disclosure is expected to influence the allocation of value added across stakeholders. Capital market theory predicts that greater transparency lowers perceived risk and reduces required returns by external financiers (Diamond & Verrecchia, 1991; Leuz & Verrecchia, 2000). Consistent with this mechanism, Malik et al. (2026) document that firms with higher ESG disclosure obtain more favourable financing conditions and rely less on debt financing. Within a value-added framework, this implies lower interest payments and a larger share of value retained within the firm rather than a proportional increase across all stakeholder groups. Empirical studies analysing value-added distribution confirm such systematic allocation patterns. Signori et al. (2021) show that firms with ESG ratings retain a larger share of value added internally while allocating relatively smaller shares to labour and external capital providers. These findings support a transparency-based interpretation in which disclosure alters contracting conditions rather than uniformly benefiting all stakeholders.

Taken together, the literature suggests two distinct but related relationships. First, ESG disclosure may be associated with higher reported value added through improved monitoring and coordination. Second, ESG disclosure may correspond to systematic differences in stakeholder payment streams through reduced information risk and altered contracting conditions.

Based on these mechanisms, this study proposes the following hypotheses:

Hypothesis 1 (H1): Higher ESG disclosure intensity is associated with higher reported firm-level value added.

Hypothesis 2 (H2): Firms with higher ESG disclosure intensity exhibit systematically different stakeholder payment structures, varying for each of the stakeholders in this thesis.

CHAPTER 3 – SAMPLE AND METHODOLOGY

3.1 Sample Description

This study uses a European firm-level panel dataset with financial and ESG information retrieved from Bloomberg, agency for professional services for Company & Industry Research, complemented by country-level indicators from the World Bank. The initial sampling frame consists of firms included in the STOXX Europe 600, restricted to non-financial companies headquartered in Europe. The observation period spans from 2005 to 2023, chosen to maximize ESG data availability and to avoid the most recent years (2024–2025), for which ESG information is not yet consistently available. The Bloomberg export was harmonized and converted into a firm-year panel, resulting in an unbalanced panel due to changes in index membership and item-level data availability. After merging ESG and financial data and excluding firm-year observations with missing ESG disclosure information, the final estimation sample comprises 470 firms across 17 European countries and 6,957 firm-year observations. The country composition is reported in Appendix 1. Because some items required for the stakeholder decomposition are not consistently reported for all firm-years, the effective number of observations varies slightly across specifications. The sample is dominated by the United Kingdom, followed by France and Germany, whereas the remaining European countries each represent relatively modest shares of total observations.

3.2 Variable Construction

The variables operationalize the empirical relationship between ESG disclosure intensity and observable firm-level value creation and payment structures. The variables therefore capture accounting-based outcomes that may systematically co-vary with disclosure intensity. All monetary variables are analysed in absolute levels and reflect observed magnitudes rather than proportional redistribution across stakeholders. The variables are categorized into dependent, independent, and control variables.

3.2.1 Dependent Variable

The main dependent variable is total Value Added, which captures the economic value generated by the firm and its observable appearance in financial statements across stakeholder-related payment categories. In this study, value added is interpreted as an accounting representation of firm-level economic activity rather than a direct measure of stakeholder welfare or negotiated contractual outcomes.

Following the value-added statement framework (Gray et al., 2014), VA is constructed as the sum of flows to employees (personnel expenses), government (tax payments), creditors (interest expenses), shareholders (dividends), and the firm itself (retained value). Retained value consists of depreciation and retained earnings and reflects internal financing and capital maintenance. The decomposition of value added allows the identification of systematic differences in payment magnitudes across stakeholder categories between firms with different disclosure intensities. The analysis therefore examines observable payment structures rather than proportional distribution or causal redistribution effects. All components are derived from Bloomberg agency's financial statement and cash flow items and measured in EUR at the firm-year level.

3.2.2 Independent Variable

The key explanatory variable is ESG Disclosure Score, retrieved from Bloomberg. The score measures the extent of publicly available ESG information rather than sustainability performance (Lopez-de-Silanes et al., 2019). The score ranges from 0 to 100 and is industry-adjusted, meaning the disclosure assessment reflects sector-specific reporting relevance. Bloomberg compiles ESG information from publicly disclosed corporate sources and converts disclosure completeness into a standardized metric (Alsayegh et al., 2020). Accordingly, the ESG Disclosure Score is interpreted as a proxy for the relative intensity of firms' non-financial reporting transparency. Higher values indicate that more ESG-related information is publicly observable. The empirical analysis therefore compares firms operating under different levels of reporting transparency and examines whether these differences are statistically associated with variation in value creation and stakeholder payment magnitudes.

3.2.3 *Control Variables*

To examine the relationship between ESG disclosure intensity and value-added payment structures, the model incorporates control variables capturing financial, structural, and governance characteristics of firms. These variables account for observable firm heterogeneity that may be related both to disclosure behaviour and to the level and composition of stakeholder payments.

Firm size (Size) measured as the natural logarithm of total assets, represents scale effects in accounting magnitudes. Larger firms typically exhibit both higher disclosure intensity and mechanically higher payment levels across stakeholder categories (Eccles et al., 2014; Drempetic et al., 2020). Controlling for size therefore separates disclosure-related associations from scale-related accounting differences. Financial performance is captured by return on assets (ROA), reflecting operating profitability. More profitable firms generate larger economic surplus and therefore tend to report higher payment levels independent of disclosure. Including ROA prevents profitability differences from being incorrectly attributed to disclosure intensity (Wooldridge, 2010). Capital structure is controlled for using leverage (Leverage), measured as total debt divided by total assets. Leverage directly influences interest expenses and thus mechanically affects one component of value added. Firms with higher debt levels also face different monitoring environments and reporting incentives (Jensen & Meckling, 1976; Ferrell et al., 2016). Controlling for leverage therefore isolates disclosure associations from financing-related payment effects.

Corporate governance characteristics are captured through board size (Board Size) and board gender diversity (Woman On Board). Board size reflects monitoring structure and organisational complexity, which may influence disclosure practices (Jensen, 1993; Githaiga & Kosgei, 2022). Board gender diversity, measured as the proportion of women on the board, has been linked to differences in ESG reporting intensity (Husted & de Sousa-Filho, 2019). Including governance controls accounts for structural differences in transparency incentives.

To capture cross-country differences in institutional environments, GDP per capita is included as a macroeconomic control (GDP). Firms operating in more developed economies tend to exhibit higher disclosure levels and different accounting cost structures (Ioannou & Serafeim, 2012). This variable therefore controls for systematic country-level differences in reporting and payment magnitudes.

Finally, industry and year fixed effects control for sector-specific accounting structures and common time trends affecting all firms. Industry fixed effects capture structural differences in payment patterns across sectors, while year fixed effects absorb macroeconomic shocks and reporting developments over time (Khan et al., 2016).

3.3 Econometric Model

To examine the relationship between ESG disclosure intensity, firm-level value creation, and stakeholder-related payment magnitudes, a pooled panel regression model with heteroscedasticity-robust standard errors is employed. Robust standard errors are used to account for heteroscedasticity typically present in firm-level accounting data (Wooldridge, 2010; Petersen, 2008).

The index i denotes the firm and t the year of observation. The coefficient vector β represents conditional statistical associations between explanatory variables and the dependent variable. The constant term β_0 indicates the expected value of the dependent variable when all explanatory variables equal zero. The error term $\varepsilon_{i,t}$ captures unexplained variation not accounted for by the model.

To test hypothesis 1 (analysing the association between ESG disclosure and firm-level value creation), the following specification is estimated:

$$VA_{i,t} = \beta_0 + \beta_1 ESG_{i,t} + \gamma' X_{i,t} + \delta_s + \theta_c + \varepsilon_{i,t} \quad (1)$$

The dependent variable $VA_{i,t}$ denotes total value added of firm i in year t , representing the accounting-based level of economic value generated by the firm. The key explanatory variable $ESG_{i,t}$ denotes the Bloomberg ESG Disclosure Score. The score reflects the extent of publicly available ESG information rather than sustainability performance. Higher values therefore indicate greater reporting transparency. The vector $X_{i,t}$ contains firm-level control variables. Firm size is measured as the natural logarithm of total assets, profitability is measured by return on assets, and leverage is defined as total debt divided by total assets. Governance characteristics include board size and the proportion of female board members. GDP per capita captures country-level economic conditions. Sector fixed effects δ_s control for structural differences in accounting magnitudes across industries, while country fixed effects θ_c account for institutional and regulatory differences across countries.

To assess whether particular disclosure dimensions are associated with value creation, the model is re-estimated by replacing the aggregate ESG disclosure score with the environmental, social, and governance pillar disclosure scores in separate specifications. The coefficient β_1 is interpreted as the conditional association between disclosure intensity and the level of value added, not as a causal productivity effect.

To examine whether ESG disclosure is associated with systematic differences in stakeholder flows magnitudes, separate regressions are estimated for each stakeholder-specific component

The dependent variable $VA_{i,t}^k$ represents the flow level attributed to stakeholder group k , including employees, government, creditors, shareholders, and retained value within the firm. Estimating stakeholder-specific regressions allows the identification of whether firms with higher disclosure intensity exhibit systematically higher or lower accounting payment levels across stakeholder categories. The model therefore analyses differences in observable payment structures rather than proportional redistribution or negotiated contracting outcomes. As in the value creation model, the regressions are repeated using the environmental, social, and governance pillar scores in separate specifications to evaluate dimension-specific associations.

All regressions are estimated using pooled Ordinary Least Squares (OLS) with heteroscedasticity-robust standard errors. The reported coefficients describe conditional statistical associations between disclosure intensity and accounting-based value-added measures after controlling for observable firm characteristics and fixed effects.

CHAPTER 4 – DATA ANALYSIS

4.1 Descriptives

Table 1 presents the descriptive statistics of the variables used in the empirical analysis.

Table 1: Descriptive Statistics

Variables	Mean	Std. Dev.	Min	Max
ESG Disclosure Score	47.829	14.492	3.259	85.494
Environmental Pillar Score	36.397	20.981	0	95.198
Social Pillar Score	30.182	14.549	0	80.593
Governance Pillar Score	76.796	16.677	9.753	100
Value Added ₁	8,620,000	18,000,000	-113,000,000	228,000,000
Employees ₁	2,430	4,120	0	115,000,000
Government ₁	438	1,300	0	41,700
Creditors ₁	169	378	-3,920	5,292
Shareholders ₁	550	1,150	0	16,194
Firm Retained Value ₁	5,280	14,300	-121,000,000	189,000,000
Size	22.814	1.505	16.875	27.121
Return On Assets (ROA)	0.063	0.115	-0.952	2.557
Leverage	0.141	0.215	-0.976	1.251
Women On Board	0.248	0.150	0	0.750
Board Size	10.724	3.614	2	25
Gross Domestic Product (GDP)	51,228,006	17,374,114	11,556,303	135,000

Note: ₁ : values in Euros divided by 1000, N = 6,957

According to table 1, it can be observed that the firms in the sample exhibit a moderate level of ESG reporting. The ESG disclosure score exhibits an average value of 47.83 on a scale from 0 to 100. The standard deviation of 14.49 and the observed range from 3.26 to 85.49 indicate substantial variation in disclosure levels across firms and years. While some observations show relatively limited reporting coverage, others display comparatively extensive disclosure.

Examining the individual ESG pillars reveals clear differences in their distributions. Governance disclosure reports the highest mean value at 76.80 and comparatively lower dispersion, suggesting more homogeneous reporting levels across observations. Environmental disclosure shows a mean of 36.40 and considerably larger variability,

including observations with zero reported disclosure. Social disclosure exhibits the lowest mean value at 30.18 and also displays substantial dispersion. The three dimensions therefore differ markedly in their observed reporting levels and variability.

For total value added, the average firm-year observation amounts to approximately 8.62 million EUR. The standard deviation is large relative to the mean, and the minimum and maximum values indicate the presence of both negative and very large positive observations. This pattern suggests a wide dispersion of value creation levels across firms and years.

Considering the stakeholder components of value added, employee-related payments average 2.43 million EUR and represent one of the larger payment categories. Government-related payments average 0.44 million EUR and show considerable variability across observations. Creditor payments average 0.17 million EUR, while shareholder distributions average 0.55 million EUR. The retained value component averages 5.28 million EUR and constitutes the largest average component among the value-added categories. Each stakeholder category displays substantial dispersion, as indicated by large standard deviations and wide value ranges.

Regarding the control variables, firm size measured as the natural logarithm of total assets shows moderate variation within the sample. Profitability, measured by return on assets, averages 6.3% and ranges from negative to high positive values. Leverage also varies considerably across observations. Board characteristics indicate an average board size of approximately 11 members and an average female board representation of 24.8%. GDP per capita shows a wide range of values, reflecting differences in economic environments across countries represented in the dataset.

Overall, the descriptive statistics indicate considerable heterogeneity across firms in disclosure intensity, value-added levels, stakeholder payment categories, and firm characteristics.

4.2 Panel Regression and Results

4.2.1 Impact on Value Added creation (Hypothesis 1)

This section reports the regression results examining the association between ESG disclosure intensity and firm-level value added. The models are estimated using pooled

Ordinary Least Squares with heteroscedasticity-robust standard errors. All specifications include firm-level control variables as well as sector and country fixed effects. Table 2 presents the estimation results.

Table 2: Regression Results on Value Added

Variables	Value Added
esg_disclosure_score	24,684.216* (1.817)
environ_disclosure_score	8,209.140 (1.076)
social_disclosure_score	3,337.404 (0.240)
govnce_disclosure_score	34,637.246*** (2.632)
pctwomanboard	-1,473,371.256 (-1.045)
board_size	202,601.653*** (3.355)
size	7,121,045.080*** (25.157)
roa	15,543,214.299*** (8.200)
leverage	-7,636,246.562*** (-9.230)
gdp	29.847 (1.076)
Industry fixed effects	Yes
Country fixed effects	Yes (1.076)
Constant	-1.509e+08*** (-25.379)
Observations	6,957
R-squared	0.397

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The aggregate ESG disclosure score is positively but marginally associated with total value added ($p<10\%$). Firms with higher disclosure intensity, therefore, tend to exhibit higher reported value added. Even though the results suggest a marginal significance they provide moderate support for Hypothesis 1.

Replacing the aggregate disclosure score with the individual disclosure pillars reveals heterogeneous results across dimensions. The governance disclosure score is positive and statistically significant ($p<0.01$), whereas the environmental and social disclosure scores

are not statistically significant. The association between disclosure intensity and value added observed in the aggregate specification is therefore primarily reflected in the governance dimension. The results indicate that disclosure dimensions differ in their statistical relationship with accounting-based value added rather than showing a uniform pattern across ESG categories.

The dominance of the governance pillar is highly consistent with the theoretical framework developed in Chapter 2. Governance disclosure relates directly to oversight structures, board composition, internal controls, and monitoring mechanisms (Cek & Eyupoglu, 2020). These elements are closely connected to financial reporting discipline and operational coordination. From an informational perspective, governance transparency may reduce agency problems and strengthen monitoring, as suggested by Bushman and Smith (2001). It may also reduce perceived risk among investors and creditors, improving contracting conditions (Diamond & Verrecchia, 1991; Leuz & Verrecchia, 2000). Furthermore, this result strongly supports the instrumental stakeholder perspective. Governance arrangements represent institutional mechanisms that coordinate heterogeneous stakeholder interactions (Bridoux & Stoelhorst, 2022).

Transparent governance may therefore facilitate cooperation and reduce friction, translating into higher observable economic surplus.

The absence of statistically significant coefficients for environmental and social disclosure suggests that variation in these reporting dimensions is not systematically related to aggregate value added once firm characteristics and fixed effects are taken into account. The estimates therefore point to dimension-specific associations rather than a general disclosure effect across all ESG components. This result challenges a broad interpretation of stakeholder theory that would predict direct economic returns from enhanced social transparency. While stakeholder engagement may improve reputation or long-term resilience (Harrison & Wicks, 2013), the direct accounting-based impact appears limited. Social disclosure may influence intangible assets such as legitimacy and trust, which are not fully captured in contemporaneous value-added measures (Petrică, 2025). From an environmental perspective the regression finding is consistent with the theoretical distinction between disclosure and performance. Environmental disclosure often reflects reporting on emissions, resource usage, and compliance processes (de Souza Barbosa et al., 2023), which may not directly affect short-term accounting flows. While environmental performance can affect long-term risk exposure and resilience,

disclosure alone may not alter internal monitoring or contracting conditions in a way that is immediately observable in value added (Khan et al., 2016; Eccles et al., 2014). The absence of significance also aligns with Petrică (2025), who finds that disclosure effects depend heavily on contextual information processing. Environmental transparency may require complementary institutional awareness to influence economic outcomes.

Regarding the control variables, firm size and profitability (ROA) are positively and statistically significantly associated with value added in all specifications. This finding aligns with prior literature showing that larger firms both disclose more ESG information and exhibit higher accounting-based payment levels (Eccles et al., 2014; Dremptic et al., 2020). Leverage shows a negative and statistically significant association, which aligns with capital structure theory, as higher debt levels increase financial obligations and monitoring pressure, thereby influencing observable economic flows (Jensen & Meckling, 1976; Ferrell et al., 2016). Board size is positively associated with value added and is consistent with governance research suggesting that board structure enhances monitoring capacity and organisational coordination (Jensen, 1993; Githaiga & Kosgei, 2022). In contrast, the insignificant effect of board gender diversity indicates that, although diversity may influence ESG reporting intensity, it does not directly translate into differences in aggregate accounting-based outcomes (Husted & de Sousa-Filho, 2019). GDP per capita is statistically insignificant once country fixed effects are included. This is supported through empirical evidence that disclosure patterns are shaped by national environments (Ioannou & Serafeim, 2012). The models explain approximately 40% of the variation in value added, indicating moderate explanatory power for an accounting-based dependent variable.

4.2.2 Impact on Value Added allocation (Hypothesis 2)

This section reports the regression results examining whether ESG disclosure intensity is associated with differences in firm-level payment structures across stakeholder groups, addressing Hypothesis 2. The models are estimated using pooled OLS with firm-level controls and sector and country fixed effects. Robust standard errors are applied. Table 3 presents the association between the aggregate ESG disclosure score and the individual value-added components. Additionally, the table shows the contribution of the three individual ESG pillars to the value added allocation.

Table 3: Regression Results on Value Added Allocation

Stakeholder Group	ESG Disclosure Score	Environmental Pillar Score	Social Pillar Score	Governance Pillar Score
Firm Retained Value	35,940.588*** (3.184)	18,145.807*** (2.806)	14,838.440 (1.257)	33,254.089*** (3.067)
Creditors	-1,273.934*** (-4.248)	-685.988*** (-3.637)	-581.331* (-1.869)	-1,051.462*** (-3.645)
Employees	-7,800.046** (-2.310)	-10,092.535*** (-4.595)	-9,255.512*** (-2.997)	6,801.534** (2.082)
Government	-2,706.007** (-2.130)	-2,088.044** (-2.276)	-1,227.61 (-1.067)	-1,295.855* (-1.651)
Shareholders	1,268.925 (1.448)	443.914 (0.805)	1,464.954* (1.735)	734.627 (0.973)

Robust t-statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.1

The regression results reveal systematic differences in how ESG disclosure and its individual pillars relate to stakeholder-specific value-added allocation. Rather than indicating a uniform expansion of stakeholder benefits, the findings point to differentiated contracting and coordination effects across stakeholder groups.

Starting with retained value within the firm, ESG disclosure is positively and highly significantly associated with internal accumulation of economic surplus. This effect is primarily driven by governance disclosure followed by environmental disclosure to a lesser extent, both statistically significant at the 1% level. By contrast, the social pillar shows no robust contribution. The result is consistent with prior evidence that ESG-oriented firms retain a larger share of value added internally rather than distributing it proportionally across stakeholders (Signori et al., 2021). From an informational perspective, enhanced disclosure reduces information asymmetry and perceived risk, which lowers required returns and improves contractual conditions (Diamond & Verrecchia, 1991; Leuz & Verrecchia, 2000; Healy & Palepu, 2001). Governance transparency, directly linked to board oversight and internal control systems (Cek & Eyupoglu, 2020), strengthens monitoring and reduces agency problems (Bushman & Smith, 2001), thereby supporting internal surplus retention. Environmental disclosure may similarly reduce uncertainty regarding regulatory exposure (de Souza Barbosa et al.,

2023), reinforcing this effect. The limited role of social disclosure suggests that reputational signalling alone is less closely connected to internal economic accumulation.

For creditors, ESG disclosure is negatively and significantly associated with monetary flows, indicating lower interest-related outflows. This relationship is again mainly driven by governance and environmental disclosure, while social disclosure plays a weaker role. The negative creditor effect aligns with capital market theory, which predicts that improved transparency lowers perceived credit risk and reduces the cost of debt (Diamond & Verrecchia, 1991; Leuz & Verrecchia, 2000). Empirical studies show that firms with stronger ESG disclosure obtain more favourable borrowing conditions and may rely less on debt financing (Malik et al., 2026; Ren & Mohd Isa, 2025). Governance transparency mitigates agency conflicts between managers and lenders (Jensen & Meckling, 1976), while environmental disclosure reduces regulatory and liability uncertainty, both contributing to lower financing costs. Social disclosure, by contrast, appears less directly relevant for creditor risk assessments.

Turning to employees, the aggregate ESG effect is negative, suggesting that higher disclosure is associated with lower labour-related payments. However, pillar-level analysis reveals heterogeneity. Governance disclosure is positively related to employee payments, whereas environmental and social disclosure are negatively associated. This pattern indicates that governance-related transparency may formalise compensation systems and stabilise employment relationships through stronger oversight structures (Bushman & Smith, 2001; Bridoux & Stoelhorst, 2022). In contrast, environmental and social reporting may increase cost discipline and operational efficiency without necessarily expanding wage levels (Bushman & Smith, 2001; Healy & Palepu, 2001; Porter & van der Linde, 1995). From an instrumental stakeholder perspective (Donaldson & Preston, 1995), stakeholder management does not automatically imply redistributive outcomes but may instead enhance coordination and performance stability.

Government payments are negatively associated with ESG disclosure overall. Environmental and governance pillars are again driving the effect. Although disclosure practices are shaped by institutional environments (Ioannou & Serafeim, 2012), enhanced transparency may strengthen financial structuring and reporting discipline (Healy & Palepu, 2001), potentially influencing taxable income and fiscal transfers. Environmental disclosure reduces regulatory uncertainty, and governance transparency reinforces internal financial controls, which may indirectly affect tax-related outflows (Ioannou &

Serafeim, 2012; Healy & Palepu, 2001; Bushman & Smith, 2001). Social disclosure does not show a consistent relationship, reinforcing the interpretation that its economic impact operates primarily through reputational rather than contracting channels.

Finally, shareholder payments are not significantly affected by aggregate ESG disclosure, and pillar-level effects remain limited. This absence of a systematic dividend effect aligns with Jensen's (2002) concept of enlightened value maximisation, which emphasises long-term value stability rather than short-term payout increases. If ESG disclosure primarily reduces risk and strengthens monitoring, its economic consequence may manifest in retained earnings and lower financing costs rather than immediate shareholder distributions. Consistent with Leuz and Verrecchia (2000), improved disclosure influences valuation and perceived risk more directly than dividend policy.

4.3 Specification Diagnostics and Sensitivity Checks

This section evaluates whether the estimated relationships are sensitive to distributional properties of the data, sample composition, multicollinearity, and model specification. The objective is to assess the statistical reliability of the regression estimates rather than to provide substantive interpretation.

Potential multicollinearity is initially assessed using pairwise correlations among the ESG disclosure measures. The aggregate disclosure score is highly correlated with its individual pillars, reported in the correlation matrix in Appendix 2. This is expected because the overall index is constructed from these components. High multicollinearity inflates standard errors and weakens coefficient precision (Aydoğmuş et al., 2022). To mitigate this issue, the aggregate ESG score and the environmental, social, and governance pillars are estimated in separate model specifications rather than simultaneously included in the same regression. This approach avoids unstable coefficient estimates and improves interpretability.

In addition to pairwise correlations, variance inflation factors (VIFs) are computed to assess multicollinearity among all explanatory variables (Appendix 3). The core firm-level variables exhibit low VIF values ranging from 1.13 to 2.30, indicating no multicollinearity concerns among the main regressors. GDP shows a VIF of 11.07. Commonly cited thresholds consider values above 10 as indicative of serious multicollinearity (Gujarati & Porter, 2009). Several country dummies also display

elevated VIF values, particularly those representing Germany, France, and the United Kingdom, which together account for more than 50% of the sample. The higher VIFs therefore primarily reflect sample concentration and the inclusion of country fixed effects, rather than problematic overlap among the key explanatory variables. Sector dummies remain at moderate levels. Importantly, the mean VIF amounts to 4.75, well below critical thresholds, suggesting that multicollinearity is not pervasive. Overall, while some country-specific indicators exceed the conventional benchmark, the pattern does not indicate instability of the main coefficients, and the model remains statistically reliable and interpretable.

Second, model specification sensitivity is evaluated by comparing baseline regressions with fully controlled models including firm characteristics and fixed effects (Appendix 4). The inclusion of control variables and fixed effects reduces the magnitude of the ESG coefficient but does not alter its direction or statistical significance. This pattern is consistent with omitted variable bias being partially absorbed by observed heterogeneity rather than driving the main results (Wooldridge, 2010). Industry and country fixed effects further control for time-invariant structural differences across firms (Petersen, 2008).

Overall, the diagnostic tests show that the estimated relationships are statistically stable across alternative specifications and are not driven by heteroscedasticity, multicollinearity, or sample composition.

CHAPTER 5 – DISCUSSION

The empirical findings provide differentiated evidence for the two proposed hypotheses and offer important insights into how transparency relates to the internal structure of corporate economic flows. With respect to Hypothesis 1, the results indicate partial support. While the aggregate ESG disclosure measure shows only marginal significance in explaining total value added, the governance pillar exhibits a strong and robust positive association. This suggests that the relationship between disclosure and value creation is not uniform across ESG dimensions.

Rather than a broad sustainability effect, the evidence points to governance transparency as the primary channel through which disclosure relates to higher reported economic surplus. In this sense, H1 is supported in a dimension-specific manner: higher disclosure intensity is associated with higher value added, but predominantly when disclosure concerns governance structures and oversight mechanisms.

The findings offer stronger and more consistent support for Hypothesis 2. Firms with higher ESG disclosure intensity exhibit systematically different stakeholder payment structures. The results show that transparency is associated with greater internal retention of value and lower outflows to certain external stakeholders. These patterns indicate that disclosure intensity corresponds to distinct allocational regimes rather than to uniform increases in stakeholder compensation. Governance disclosure emerges as the main driver of these effects, consistent with its role in monitoring and internal control. Environmental disclosure operates mainly through risk-related channels, while social disclosure is more indirectly linked to economic allocation.

Transparency therefore appears to operate mainly through governance characteristics that influence contracting environments, capital structure dynamics, and internal surplus allocation.

In relation to Sustainable Development Goal 10 on Reduced Inequalities, the study contributes by examining how transparency regimes correspond to differences in the allocational structure of value added within firms. By focusing on observable accounting flows rather than normative redistribution, the findings clarify how disclosure intensity relates to stakeholder positioning in economic terms, without assuming that higher transparency automatically produces more equal outcomes.

5.1 Contributions and Implications

This study contributes to the ESG literature by providing accounting-based evidence on how ESG disclosure is associated with internal economic allocation structures within firms.

First, the results extend stakeholder research by linking ESG disclosure to observable economic flows. Most ESG studies rely on market-based outcomes such as stock returns or valuation (Fatemi et al., 2018). By analysing value added and its decomposition, this study examines economic relationships inside the firm rather than investor perceptions. This approach aligns with calls to analyse stakeholder outcomes using accounting measures (Gray et al., 2014; Signori et al., 2021).

Second, the findings reinforce the importance of distinguishing disclosure from performance. The observed associations are consistent with transparency effects rather than sustainability improvements. This supports the argument that disclosure-based ESG scores primarily measure the information environment (Lopez-de-Silanes et al., 2019; Berg et al., 2022). Consequently, empirical ESG results should be interpreted carefully depending on the underlying metric.

Third, the central role of governance disclosure highlights governance as the primary coordination mechanism in stakeholder systems. Governance transparency is associated with both value creation and internal payment structures, supporting theoretical models of stakeholder governance (Jensen, 2002; Bridoux & Stoelhorst, 2022). Environmental and social disclosure appear to operate through external perception channels instead.

From a regulatory perspective, the findings imply that expanded reporting requirements are likely primarily influencing transparency and contracting conditions rather than directly altering economic stakeholder allocations. Disclosure enhances observability and reduces uncertainty, but it does not automatically produce broader value distribution. This distinction is relevant in the context of mandatory reporting regimes such as the CSRD.

CHAPTER 6 – CONCLUSION

In conclusion, this thesis provides new evidence on the relationship between ESG disclosure intensity and firm-level value creation as well as stakeholder payment structures within European firms. By distinguishing disclosure from performance and applying an accounting-based value-added framework, the study shifts the focus from market valuation effects to observable economic flows within the firm.

The empirical results found, indicate that ESG disclosure is positively associated with reported value added, although the relationship is primarily driven by governance-related disclosure. Environmental and social disclosure do not show consistent statistical associations with overall value creation. This indicates that structured governance transparency is more closely linked to accounting outcomes than broader sustainability reporting dimensions. In addition, findings from chapter 4 show that ESG disclosure is not related to a uniform increase in stakeholder payments. Instead, firms with higher disclosure intensity, primarily driven by governance disclosure, retain a larger share of generated value while reporting lower payments to creditors, employees, and government, whereas shareholder payments remain unaffected. The results therefore indicate differences in payment composition rather than an overall expansion of stakeholder benefits.

Taken together, the findings reveal that ESG disclosure should not primarily be interpreted as a measure of corporate sustainability performance but as a characteristic of the corporate information environment. The observed relationships with value creation and stakeholder payment structures indicate that disclosure shapes how economic activity becomes observable rather than how it is produced. This implies that empirical ESG effects documented in prior research may partly reflect transparency differences instead of changes in underlying sustainability practices. Consequently, interpreting ESG metrics without distinguishing between disclosure and performance may lead to misleading conclusions about corporate behaviour.

The study therefore contributes to a more precise understanding of ESG by positioning disclosure as an informational institutional feature rather than a direct indicator of sustainable firm conduct. In doing so, it relates to Sustainable Development Goal 10 by showing how transparency regimes correspond to structural differences in the internal allocation of value added, without assuming normative redistribution effects.

6.1 Limitations

While the empirical design allows a detailed observation of accounting-based economic outcomes, several limitations restrict the interpretation of the results. The most important limitation concerns identification. The empirical analysis relies on pooled panel regressions and therefore captures conditional statistical associations rather than causal effects. Firms with superior organisational structures, stronger internal controls, or more stable stakeholder relations may both disclose more ESG information and generate different value-added structures. ESG disclosure may therefore reflect underlying organisational quality instead of influencing economic outcomes directly (Wooldridge, 2010). The findings should consequently be interpreted as structural differences between firms operating under different transparency environments rather than behavioural responses to disclosure.

A second limitation relates to measurement. This study uses ESG disclosure scores, which capture transparency and reporting intensity rather than sustainability performance. The results do not show that more sustainable firms create or distribute value differently. Firms operating under more observable information environments exhibit different accounting structures. Disclosure may reflect communication capability, regulatory compliance, or investor orientation rather than operational sustainability improvements.

Third, the value-added framework measures observable monetary flows but does not capture underlying welfare or bargaining outcomes. Payment levels depend on institutional settings, contracting structures, and stakeholder power rather than solely managerial decisions. The documented allocation patterns should therefore be interpreted as accounting structures rather than deliberate redistribution between stakeholders.

Fourth, the model focuses on contemporaneous relationships. Organisational adjustments related to governance, financing conditions, or stakeholder contracting often occur gradually, while disclosure responds quickly to regulatory or reputational pressure. The static specification may therefore understate longer-term relationships or misrepresent adjustment dynamics.

Finally, the sample consists of large listed European non-financial firms operating in regulated reporting environments. Disclosure incentives and stakeholder relationships differ in private firms, financial institutions, small firms, and non-European markets.

(Ioannou & Serafeim, 2012). The generalisability of the results is therefore limited to comparable institutional contexts.

Taken together, the study documents systematic associations between transparency and observable accounting structures, but it does not establish sustainability effects, behavioural causality, or welfare implications.

6.2 Future Research

The findings of this study open several avenues for further research by positioning ESG disclosure as an informational and accounting-related phenomenon rather than a direct measure of sustainability performance. Prior literature has repeatedly highlighted that disclosure primarily captures transparency rather than realised sustainability outcomes (Lopez-de-Silanes et al., 2019; Berg et al., 2022). Future research should therefore focus less on whether ESG is beneficial and more on how disclosure interacts with corporate reporting environments and economic decision-making.

A first promising direction concerns the distinction between disclosure and operational behaviour. Because the present analysis identifies associations between disclosure intensity and observable payment structures, future studies should explicitly separate information effects from real activity effects. Combining disclosure measures with operational performance indicators such as emissions intensity, labour productivity, or investment efficiency would allow researchers to test whether disclosure changes corporate behaviour or mainly affects observability. This distinction directly follows the information-environment perspective of disclosure research, which emphasises that transparency affects decision-making even without changes in underlying activities (Healy & Palepu, 2001; Bushman & Smith, 2001).

Second, future research should investigate the dynamic adjustment of stakeholder payment structures. The present analysis relies on contemporaneous relationships, while disclosure effects may materialise gradually. Firms may adjust financing structures, compensation policies, and retention behaviour over time after changes in transparency requirements. Panel models including lagged disclosure variables or event-based settings around regulatory reporting shocks could help identify temporal adjustment processes. Prior research shows that disclosure effects often unfold with delays due to contracting

frictions and learning processes among stakeholders (Leuz & Verrecchia, 2000; Diamond & Verrecchia, 1991).

Third, additional research should examine proportional rather than absolute payment structures. The current study analyses accounting payment magnitudes, which reflect economic scale. Stakeholders, however, may react to relative shares rather than levels. Future research could therefore analyse stakeholder payment ratios relative to total value added in order to distinguish scale effects from allocation effects. This approach follows the value-added accounting literature, which emphasises the interpretive importance of distributional proportions (Gray et al., 2014; Haller & Stade, 2014).

Fourth, future work should examine institutional reporting environments. Disclosure regulation varies across countries and over time. This counts especially with the expansion of mandatory sustainability reporting frameworks such as the Corporate Sustainability Reporting Directive (CSRD). Regulatory disclosure changes provide settings that may help identify causal transparency effects. Prior cross-country evidence indicates that institutional environments systematically shape disclosure incentives and stakeholder interpretation of information (Ioannou & Serafeim, 2012).

Finally, qualitative approaches may complement quantitative analyses. Interviews with managers, auditors, and investors could clarify whether ESG disclosure functions primarily as a credibility signal, compliance mechanism, or communication device, addressing concerns about the interpretability of ESG metrics (Edmans, 2020; Berg et al., 2022).

Future research should therefore analyse ESG disclosure as part of corporate reporting infrastructure and information processing rather than solely as a proxy for sustainability performance.

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APPENDICES

Appendix 1: Country decomposition

Country	Total	%
Austria	84	1.21%
Belgium	147	2.11%
Denmark	330	4.74%
Finland	276	3.97%
France	945	13.58%
Germany	862	12.39%
Ireland	111	1.60%
Italy	313	4.50%
Luxembourg	47	0.68%
Netherlands	320	4.60%
Norway	200	2.87%
Poland	68	0.98%
Portugal	53	0.76%
Spain	295	4.24%
Sweden	612	8.80%
Switzerland	693	9.96%
United Kingdom	1,601	23.01%
Total	6,957	

Appendix 2: Correlation Matrix

Pairwise correlations																
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) esg_disclosure~e	1.000															
(2) environ_disclo~e	0.880 (0.000)	1.000														
(3) social_disclos~e	0.873 (0.000)	0.734 (0.000)	1.000													
(4) govnce_disclos~e	0.738 (0.000)	0.398 (0.000)	0.483 (0.000)	1.000												
(5) valueadded	0.264 (0.000)	0.287 (0.000)	0.241 (0.000)	0.119 (0.000)	1.000											
(6) employees	0.200 (0.000)	0.224 (0.000)	0.162 (0.000)	0.097 (0.000)	0.653 (0.000)	1.000										
(7) government	0.192 (0.000)	0.194 (0.000)	0.197 (0.000)	0.084 (0.000)	0.605 (0.000)	0.346 (0.000)	1.000									
(8) creditors	0.204 (0.000)	0.209 (0.000)	0.207 (0.000)	0.086 (0.000)	0.310 (0.000)	0.359 (0.000)	0.287 (0.000)	1.000								
(9) shareholders	0.298 (0.000)	0.289 (0.000)	0.282 (0.000)	0.167 (0.000)	0.666 (0.000)	0.483 (0.000)	0.652 (0.000)	0.489 (0.000)	1.000							
(10) firmretained	0.232 (0.000)	0.253 (0.000)	0.212 (0.000)	0.103 (0.000)	0.968 (0.000)	0.463 (0.000)	0.541 (0.000)	0.209 (0.000)	0.568 (0.000)	1.000						
(11) size	0.467 (0.000)	0.493 (0.000)	0.416 (0.000)	0.237 (0.000)	0.545 (0.000)	0.572 (0.000)	0.442 (0.000)	0.540 (0.000)	0.571 (0.000)	0.438 (0.000)	1.000					
(12) roa	-0.046 (0.000)	-0.078 (0.000)	-0.027 (0.026)	0.001 (0.911)	-0.025 (0.040)	-0.085 (0.000)	-0.004 (0.744)	-0.114 (0.000)	0.012 (0.316)	-0.008 (0.488)	-0.234 (0.000)	1.000				
(13) leverage	0.115 (0.000)	0.088 (0.000)	0.114 (0.000)	0.089 (0.000)	-0.023 (0.052)	-0.008 (0.541)	-0.018 (0.137)	0.243 (0.000)	0.040 (0.001)	-0.028 (0.019)	0.240 (0.000)	-0.180 (0.000)	1.000			
(14) pctwomanboard	0.465 (0.000)	0.387 (0.000)	0.383 (0.000)	0.391 (0.000)	0.068 (0.000)	0.087 (0.000)	0.048 (0.000)	0.012 (0.349)	0.076 (0.000)	0.050 (0.000)	0.153 (0.000)	0.016 (0.180)	0.060 (0.000)	1.000		
(15) board_size	0.225 (0.000)	0.292 (0.000)	0.210 (0.000)	0.036 (0.002)	0.325 (0.000)	0.465 (0.000)	0.206 (0.000)	0.292 (0.000)	0.265 (0.000)	0.235 (0.000)	0.568 (0.000)	-0.137 (0.000)	0.054 (0.000)	0.022 (0.072)	1.000	
(16) gdp	-0.062 (0.000)	0.001 (0.910)	-0.093 (0.000)	-0.082 (0.000)	0.022 (0.072)	-0.053 (0.000)	0.013 (0.306)	-0.107 (0.000)	-0.009 (0.460)	0.044 (0.000)	-0.111 (0.000)	0.025 (0.035)	-0.107 (0.000)	0.037 (0.002)	-0.254 (0.000)	1.000

Appendix 2: VIF

Variable	VIF	1/VIF
ESG Disclosure Score	2.08	0.481
Size	2.3	0.434
ROA	1.13	0.884
Leverage	1.38	0.725
Woman On Board	1.64	0.609
Board Size	2.16	0.462
GDP	11.07	0.09
Country ID		
2	2.78	0.359
3	5.14	0.194
4	4.34	0.23
5	11.45	0.087
6	10.27	0.097
7	2.65	0.377
8	5.03	0.198
9	2.7	0.37
10	4.93	0.202
11	4.85	0.206
12	2.24	0.446
13	1.85	0.539
14	5.1	0.196
15	7.99	0.125
16	12.9	0.077
17	16.56	0.06
Sektor		
15	3.22	0.31
20	6.01	0.166
25	3.78	0.264
30	3.14	0.318
35	3.41	0.293
45	2.32	0.431
50	2.31	0.433
55	2.72	0.367
60	2.56	0.39
Mean VIF	4.75	

Appendix 3: Baseline regression with no controls

VARIABLES	VA 1 Model 1	VA 2 Model 2	VA3 Model 3
esg_disclosure_score	322,565.717*** (19.286)	25,995.139** (2.319)	24,684.216* (1.817)
environ_disclosure_score	245,395.275*** (22.026)	13,407.995* (1.839)	8,209.140 (1.076)
social_disclosure_score	296,196.351*** (15.720)	33,805.117** (2.547)	3,337.404 (0.240)
govnce_disclosure_score	121,323.716*** (11.009)	5,904.407 (0.659)	34,637.246*** (2.632)
pctwomanboard		-3,371,247.858*** (-2.791)	-1,473,371.256 (-1.045)
board_size		197,728.341*** (3.127)	202,601.653*** (3.355)
size		6,887,160.353*** (26.454)	7,121,045.080*** (25.157)
roa		16,343,074.140*** (8.581)	15,543,214.299*** (8.200)
leverage		-7,970,629.981*** (-9.582)	-7,636,246.562*** (-9.230)
gdp		70.629*** (6.843)	29.847 (1.076)
Industry fixed effects		Yes	Yes
Country fixed effects			Yes
		(6.843)	(1.076)
Constant	6,755,183.945*** (-10.256)	-1.434e+08*** (-27.156)	-1.509e+08*** (-25.379)
Observations	7,009	6,957	6,957
R-squared	0.069	0.379	0.397

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

DISCLOSURE OF AI TOOLS

During the preparation of this manuscript, I used ChatGPT 5.2 for content assistance, specifically to create an outline, summarise literature, structure arguments and challenging data results. I reviewed and revised the material generated and take full responsibility for the content of this publication.

Furthermore, I used DeepL, an AI-assisted editing tool, to improve spelling, grammar, clarity, and readability during manuscript preparation. After using this tool, I carefully reviewed and edited the text and take full responsibility for the final content