Editorial

Hany Elbardan*

Bournemouth University Business School,
Talbot Campus, Fern Barrow, Poole, BH12 5BB, UK
Email: HElbardan@bournemouth.ac.uk
*Corresponding author

Hassan Yazdifar

College of Business, Law and Social Sciences,
University of Derby,
Kedleston Rd, Derby, DE22 1GB, UK
Email: H.Yazdifar@derby.ac.uk

Biographical notes: Hany Elbardan is a principal academic in Accounting and Finance. He worked for various institutions in the UK, Egypt, and Kuwait since 1998. Previously, he held academic positions at the American University of the Middle East, Kuwait, Roehampton University, Brunel University, UK and Alexandria University, Egypt. He has contributed to many research projects on corporate governance, auditing and accounting information systems. He has published his research in refereed international journals including, *AAAJ*, *Journal of Business Ethics*, *The International Journal of Accounting*, among others. He is the author of the *Enterprise Resource Planning, Corporate Governance and Internal Auditing* textbook. More about his publications could be found on his Google Scholar profile. His research areas include accounting, information systems, auditing and corporate governance.

Hassan Yazdifar is the Head of Research and Innovation at the College of Business, Law and Social Sciences. In addition to college responsibilities, he has cross-university responsibility for the development, direction and performance of the academic theme of business, economic and social policy, which is one of the university's six key academic themes. His role involves developing internal and external networks, utilising them to share data and intelligence concerning the development of new research and innovation opportunities; pursuing research and collaborative partnerships across the university and with other institutions and relevant bodies; and facilitating high-quality research output with far-reaching impact. He has undertaken the responsibility of several funded research projects and his experience is in both developed and developing countries and considers globalisation as an important factor in developing business performance, research and development, and developing knowledge transfer and building partnerships.

The focus on the 'E' and the 'S' of environmental, social and governance (ESG) is a leading trend globally. In the past, governance and environmental issues seemed to gain more attention than social ones such as employee rights. During the COVID-19 crisis, workers and even groups of investors urge companies to prioritise better health and safety protection, paid leave and to maintain business and employment relationships. While it is argued that the issuance of ESG reports could lead to business ethics re-evaluation as a driver of an ethically minded corporate culture of companies, the business implications of the global COVID-19 crisis revealed a history of deliberate or unintentional misbehaviour of companies during the preparing relevant ESG reports. On the other hand, companies that have previously thought through an ethical ESG strategy and considered the purpose of their companies' role in society are in a better position to emerge more resilient from the COVID-19 pandemic because they are used to frame their choices through the lens of stakeholder perceptions of critical risks and opportunities. Therefore, the need for a suitable mechanism to integrate ethics in ESG performance and reporting has become a priority to prevent unethical practices of companies in the future. Ethical consideration in accounting is associated with the obligation of companies to disclose a true and fair picture of their overall business performance. Therefore, linking financial and non-financial information is essential in reporting a truthful view of business operations. Boards are expected to strengthen their oversight and knowledge of material ESG matters and disclose their connection to the business in the form of risks and opportunities.

In many countries, public opinion appears to be shifting against maximising shareholder returns as a priority one, expecting more companies to adopt a sense of meaning to stakeholders and to put ESG at the core of the corporate strategy. The purpose of a corporation has been amended by the World Economic Forum to put aside the traditional view of shareholder primacy. Climate change and transitioning to a lower-carbon economy are also top priorities for stakeholders. The COVID-19 crisis holds profound lessons that can help in addressing climate change if planning for the recovery focus on making greater economic and environmental resiliency. Therefore, it is expected to see the pandemic influence climate change. Therefore, boards need to be able to understand and discuss ESG data and its impact on key matters. ESG commitments are more important than ever, COVID-19 in some ways is an ESG acid test, where companies get credit for moving in the right ESG direction and showing transparency; they are expected to disclose metrics and progress toward ESG policies and goals.

The collection of papers in this special issue has addressed diverse and challenging issues from different disciplines about major ethical considerations and implications of ESG disclosure. The first paper by Haruna Maama, Md Humayun Kabir and Mishelle Doorasamy (title: 'The disclosure practice of governance element of integrated reporting in Ghana') opens the discussion with the statement that integrated reporting (IR) encourages firms to provide information on their ESG activities. The paper then discusses that the studies on this area in developing countries concentrate on the environmental and social aspects of the phenomenon, thus neglecting the governance disclosure element. Given this research gap, the present study examined the disclosure practices of the governance element of IR among Ghanaian listed firms. The study examined the content of 410 annual reports of 33 firms based on a checklist of 18 disclosure items. Moving average scores and Wilcoxon signed-rank test were employed to analyse the data. The study found that governance reporting was receiving attention in Ghana, suggesting that the firms have recognised its potential. However, the general trend in the disclosure practice was that the firms made more positive governance disclosures such as the profile of board and management members, awards and recognitions received, governance structure and financial risk disclosures and their mitigation plans. The findings imply that the firms employed governance reporting to influence public perception and obtain their acceptance. The evidence also showed that despite the many years since the introduction of IR, the governance element has no unifying disclosure structure, hence the chaotic disclosure practice. The paper concludes that the legitimacy theory has a substantial influence on the disclosure practices of firms. This study provides insights into how firms address the governance aspect of IR that is neglected in the literature.

The next paper by Abdulhadi H. Ramadan, Mahmoud Nassar, Mohammad Haroun Sharairi, Mohammed Hassan Makhlouf and Khalil Nimer (title: 'Sustainability reporting and assurance in Gulf Cooperation Council countries: what is missing?'), sets the objective of their paper to respond to the following two research questions:

1. What are the Big 4 auditors' perspectives regarding the SR and assurance market in the GCC region, and what is missing?
2. Does the GCC region have any peculiarities in terms of drivers of and barriers to SR and assurance, and do the traditions and cultures of the GCC impose different drivers and barriers than those that exist in other regions?

The study gathered data from interviewing ten representatives of auditing firms (i.e., members of the Big 4) in the GCC region through face-to-face and telephone interviews. The study reports that the interviewees unanimously pointed out the immaturity of the SR and assurance market in the region but were hopeful for the future contingent upon certain factors. However, it appears that GCC countries indisputably admit the prominent place of the United Arab Emirates (UAE) in SR and assurance due to government initiatives and willingness to adopt new systems, as well as the prominence of information technologies. The voluntary nature of SR, the cost of SR and assurance, and religious concerns, among other factors, are primary barriers to the willingness of firms to adopt SR and assurance. On the other hand, reputation building and access to international markets are the main motivations for adopting SR and assurance. Auditors also noted the gap in awareness among potential clients about the Global Reporting Initiative (GRI) framework and insufficient efforts on the part of the GRI to raise awareness about and promote interest in SR and assurance. The interviewees firmly expressed their conviction that there appears to be no direct relationship between SR assurance and financial report audits. As a practical contribution, and according to interviewees affiliated with Big 4 auditing firms, GCC countries need governmental programs and state leadership to move forward with the development of sustainability initiatives, thus signalling the importance of coercive forces in this regard. As social implications, the current state of SR and assurance appears to be mostly influenced by religious teachings, a connection which requires further investigation to reconcile religion with SR and associated practices. Moreover, more consideration of international stakeholders but less emphasis on internal stakeholders signals weak development of civil organisations in the region.

The third paper in this special issue by Khaldoon Albitar, Siming Liu, Khaled Hussainey and Gaoke Liao (title: 'Do investors care about corporate environmental responsibility engagement?') aimed to investigate the effect of corporate environmental responsibility (CER) engagement on investors' reactions. The paper also explores the heterogeneity of this impact among different types of companies and different companies' market performance. The study uses panel data models and quantile regression based on data related to firms listed on the A-share China Security Market and the final sample consists of 3,776 firm-year observations. The results show that CER engagement has a significant positive impact on investors' investment decisions. Further, investors are more sensitive to CER engagement of high energy-consumption companies and no matter whether the company is state-owned or non-state-owned, CER engagement has a significant positive impact on investors' reactions. CER engagement has a significant positive impact on investors' reactions in all quantiles except one and the promoting effect increases first and then decreases with the growth of corporate market value from lower to upper quantiles.

The fourth paper in this special issue by Mohamed Saeudy and Khaled Hussainey (title: 'Emergent themes of social and environmental reporting in the UK retail banks') examines current practices in the development and communication of social and environmental reporting (SER) in the UK retail banks. Empirical data was triangulated between semi-structured interviews with bank executives, bank sustainability reports, and third-party sustainability entrepreneur initiatives (termed 'SEIs') to identify current practices and growth areas. The paper employs social contract theory to examine how these social and environmental retail banks developed their SER practices. Our findings reveal that SER practices are crucial for pursuing more positive social and environmental values. The study clarifies the role of SER as a form of IR to assess and improve the usefulness of IR reporting practices. The SER practices also appear to have benefited from the presence of many SEIs in the sampled banks that specialise in commercialising social and environmental projects. In addition, methodical analyses of SER components assist managers and regulators in determining which components are meaningful to stakeholders.

The fifth and last paper in this special issue by Bruno F. Abrantes and Emelie Ström (title: 'Business utilitarian ethics and green lending policies: a thematic analysis on the Swedish global retail and commercial banking sector') discuss that the pioneering work on environmental regulation in Sweden and that country's leading position in sustainability rankings has paradoxically passed almost unnoticed by academics. To this fact should be added, as referred in recent literature, the scant attention given to the Nordic banking system. This sector's contribution to a sustainable environment represents an unexplored avenue in terms of research. Becoming immersed into the realm of Swedish commercial banking ethics and its environment responsibilities, the authors have focused on credit operations of one of the top 3 commercial banks in the country, as they intend to map its corporate sustainability policies (CSP) and the compliance of the lending business process (LBP) to these policies. A theoretical review addressing sustainability, corporate responsibility and business ethics' theories focuses on the utilitarian framework and its consequentialist Benthamite roots. Furthermore, it depicts the underlying criticism and the challenge faced by the utilitarianist perspective, namely on false utility maxims and greenwashing controversies. A descriptive-explanatory research framework utilises a critical case with a phronetic design. Data collected through interviews was manipulated under the thematic analysis method. The study found a unique understanding of act-utilitarianism, blending a normative and rational (utilitarian) interpretation, in which, policies and practices are set to prevent financial risks and environment rebounds, as they are symbiotic. This allowed us to enlarge the body of knowledge on Nordic banking's sustainable governance, and design the green lending model (GLM).