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Beyond Numbers: Evaluating the Role of Non-Financial Environmental, Social and Governance (ESG) Indicators in Corporate Sustainability Disclosures

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KEYWORDS

Non-financial ESG metrics, Sustainability reporting, Governance, Stakeholder, Corporate

ABSTRACT

Corporate Sustainability Disclosures have been dominated traditionally by financial metrics and quantitative indicators, often overlook the broader non-financial dimensions underpinning long-term value creation. With the rising global attention towards factors of Environmental, Social and Governance (ESG), the increasing demand of transparency by stakeholders not just in financial performance but also in how a business organization manage their environmental risk, social impact and governance practices. This work has examined the role of non-financial indicators of Environmental, Social and Governance (ESG) in enhancement of credibility, efficacy and relevance of corporate sustainability disclosure. Non-financial ESG indicators provide stakeholders with insights ethical, environmental and social practices of company disclosing how an organization is managing their risk and opportunities that are not visible in financial statements like changing climate, rights of labors, diversity, and broad independence. The paper also explored how qualitative and non-financial measures like well-being of employees, diversity and inclusion, ethical practices of supply chain, goal of carbon neutrality, community engagement, and governance integrity making contribution to a more holistic understanding of corporate responsibility and resilience. While non-financial indicators of ESG present difficulties in quantification and comparability, they play a vital role to shape the trust of stakeholders, improve assessment of risk, and alignment of corporate strategies with sustainable development goals. A sample of 259 was collected from people of different educational background. The main factors showing the Importance of non-financial aspects of Environmental, Social and Governance (ESG) Metrics in Sustainability Reporting are Corporate Culture and Leadership Commitment, Materiality Assessment, Data Collection and Management Capabilities, and Resources and Capacity.

1. INTRODUCTION

The ESG (Environmental, social, and governance) is comprised of what is known as a metric system which is used for measuring performance of a business in different facets of social responsibilities. The rising perseverance for business corporations for contemplating and addressing ESG issues proactively, because of immediate relevance, highlights its significance in modern landscape of business. The factors of ESG have been considered as vital elements in socially as well as ethically responsible investing and also vital indicators of managerial skills of a business firm, their risk management capabilities and non-financial performance. Companies involved in ESG practices can bring improvement in their non-financial performance by goals, values, and corporate norms that are consistent with the society. An internal management strategy of a company and non-financial disclosure strategy also plays an important part in enhancing its performance sustainability. The link between the ESG disclosure of company and corporate sustainability has been illuminated by many studies. The non-financial factors make influence on how an investor perceives the risk level of a company. The company having a higher score on human development index and extraordinary environmental performance lessens the risk perception that results in low ex ante equity cost (Au et al., 2023). There have been many proposals as well as suggestions about monetization of sustainable data. Externalities inducing legal obligations by companies like environmental cleanup cost are documented in financial statement as contingent liability or provisions. Using the remedy cost of externalities of company as cost of opportunity to be subtracted from financial profit arriving at a sustainable profit. Added example can be "impact-weighted" financial accounts that use diverse non-financial metrics for social as well as environmental influence. They might be highly useful to make internal decisions but low for sustainable reporting because they are subjective and soft information. Till now, not a single method has been proved best. Information is provided by sustainable reporting regarding impact of ESG topics, and therefore on financial risks as well as opportunities that are for long-term. All such influence must be considered in financial accounting and disclosure. Particularly, many assumptions are incorporated in financial accounting that are made for the future that are gathered into evaluation. These assumptions need to be consistent and articulate across financial reports and sustainability (Wagenhofer, 2024). There are three types of paths that drives the score of ESG and integrate reporting plays a vital and significant part in the promotion of higher score of ESG (Santamaria, Paolone, Cucari, & Dezi, 2021). In context of core sustainability, scholars have studied internal as well as external associations that are provided by ESG criteria mainly from the perspective of organizations. Regardless of their nationality, companies are following ESG criteria guidelines and such methods are bringing numerous advantages. It highlights lacking approach of confirmatory research from workers view point, as the interest has remained in economic and environmental domain from organization's point of view. Corporate sustainability performance is the capability of a company to operate in a way that they can uphold ecological integrity, good governance principles, and social well-being, along with instantaneously generate values for stakeholders. Environmental, social, and governance factors are incorporated in ESG criteria into decision making process of business and investment, it also involves conditions that are relevant in traditional financial metrics during investment analysis and company valuation. Instead of considering ESG criteria separate from financial examination, incorporation recognize its materiality including it together with traditional analysis of finance. Such incorporation can occur at different stages in investment process including construction of portfolio, assessment of risk, due diligence, and regular monitoring. The aim of integration is identification and management of risks as well as opportunities associated with the criteria of ESG that eventually looks to improve long-term investment performance and sustainability (Barbosa et al., 2023).

Influence of ESG disclosure on financial performance as proxied by Return on Assets (ROA), the study concludes that disclosure of ESG does not make any substantial impact on financial performance of a company, individually as well as whole in financial sector organizations. Reporting sustainability reports of companies is not only regarding fulfilment of obligations, not yet a driving force to achieve performance of a company. Social performance is not a strategy, which is considered by management to make a significant improvement in financial performance. Attention of management is more focused on the conditions that have direct association with the income and sales in comparison to non-financial performance, so that it does not make any influence on social performance on financial conditions of a company. Companies implementing ESG disclosures have become highly popular and demanding by majority of investors, not just abroad but at home as well that makes companies more prosperous. There are different expectations by stakeholders of company with regards to its performance and companies must please their stakeholders ensuring long-term survival and success. The whole group of stakeholders have expectations about sustainability practices like practices of ESG shown through ESG reporting. Companies are pressurized to meet the requirement of different types of performances by multi-faceted stakeholders as well as with regulatory enforcements (Setiawati & Hidayat, 2023). In present landscape of business, the contemporary framework of corporate sustainability is based mainly on 3 pillars – "Economic integrity, social justice and value, and environmental integrity." It is clear that alliance of such factors would help in enabling the business in becoming profitable with the achievement of long-term goals, increased output, and in optimization of stakeholder values. Mismanagement of ESG risks by company, and involvement in debatable events that might damage the credibility and reputation of company in the market, it might make negative impact on market as well as financial performance of company and on its sustainable growth. As an outcome, non-financial reporting is needed to include information regarding how a business define its position in society and to strengthen sustainable growth of corporations. Times, when non-financial assets have become a substantial element in measuring the valuation of a corporation, presenting non-financial statements as a complete and precise source of information than just financial statements that have become highly common discussion topic in business community. The activities of a business organization in the direction of sustainable development and disclosing non-financial information are beneficial as well as costs associated with it. Dependent on strong influence, disclosing and reporting non-financial material and data might make an optimistic as well as negative influence on financial performance. Whether a positive influence would be exposed is dependent on features of given nation as a whole, the particular market or industry where a company operates, and the feature of a company (Oprean-Stan et al., 2020). Financial metrics concentrate on short-term performance, while non-financial indicators of ESG capturing intangible drivers of long-term resilience like well-being of employees, capacity of innovation, and environmental stewardship. These disclosures help organizations in communicating their strategies for sustainable growth. Transparent disclosure of risks assists investors in assessment of firm's exposure to potential regulatory, reputational or operational challenges. Investors are increasingly using non-financial ESG disclosures for evaluating sustainable performance of firm and align with responsible principles of investment. ESG ratings, sustainability indices, and green bonds depend heavily on such non-financial evidences. Mandatory sustainability disclosure requirements have been strengthened by many jurisdictions like U.K, U.S. and India. Non-financial ESG disclosure forms the backbone of framework such as GRI (Global Reporting Initiatives), SASB (Sustainable Accounting Standard Board), TCFD (Task Force on Climate-related Financial Disclosure), and upcoming ISSB (International Sustainability Standards Board) standards. Disclosure of non-financial indicators motivate firms to integrate sustainability into core strategies, processes, and supply chains. Tracking sustainable metrics assists in identify areas for improvements and opportunities for green innovation. The role of non-financial indicators of ESG in corporate sustainability disclosure is providing transparent, holistic and forward-looking picture of performance and impact of company complementing financial data by showing how responsibly and sustainably a business operates, eventually shaping confidence of investors, trust of stakeholders and long-term competitiveness.

2. LITERATURE REVIEW

Company's and investor's investment decisions consider aspects of financial performance of a company and relate it with the environmental responsibility from its activities. Environmental responsibility of corporate can be implemented in attention to ESG. It is a broad application than Corporate Social Responsibility. Furthermore, Corporate Social Responsibility is oriented towards corporate responsibility related to environment and society that make influence on society, while the criteria of ESG are metrics that can be evaluated. Companies are perceived positively increasing their investment, as they continue to grow. In another finding on ESG risks shows a negative impact on the value of a firm, meaning that the higher the ESG risk it would reduce the value of a firm from the perception of an investor and contra wise the better would be the performance of ESG that would increase the value of a firm. In another finding, the ESG risk moderates the association between decision of investment and the value of a firm in a negative direction, meaning that higher the risk would reduce the influence of decision of investment and value of firm. On the other hand, better the company manages the risk of ESG, higher would be the influence of investment decision on value of firm (Stiadi, 2023). The quality of financial reporting for non-financial companies by ESG disclosure. With the help of strong panel data analysis, it is identified that detailed environmental, social and governance disclosure correlates positively with the quality of financial reporting, which indicates the transparency in this domain boosting financial transparency as well as reliability. Moreover, variables like size of the firm, classification of industry, and presence of Big Four audit firms were also important, highlighting the significance in impacting the financial reporting quality. It is suggested that adoption of complete standards of ESG reporting, involving stakeholders, making investments in sustainable practices, leveraging technologies, and updating disclosures are important strategies for companies for improving quality of financial reports. The focus of future reports must be on longitudinal studies, cross-sector analyses, the influence of regulatory changes, adopting and integrating new digital tools and technologies, and comparative studies must be conducted to deepen the understanding the disclosures ESG's role in quality of financial reporting. Insights of study would provide guidelines to policymakers, corporate leaders as well as stakeholders in improving the standards of corporate governance and develops the culture of accountability and transparency. By using established metrics, ESG performance is assessed, while quality of financial reporting is evaluated by accounting-based indicators. It is revealed that there is a positive relationship between performance of ESG and quality of financial reporting, which suggests that companies with strong ESG performance are more likely to have high-quality of financial reporting practices internationally. This highlights the significance of considering factors of ESG in measuring overall financial reporting quality. In another findings suggests that there is a positive correlation between accounting disclosures for sustainable development and quality of financial reporting and value of company, which shows that companies with high level of sustainable development disclosure would possibly have high-quality of financial reporting and improved company's value (Sharawi & Shahawi, 2024). Investment avenues are analysed by environmentally and socially centered investors by considering gravity of ESG applications by corporates in their business operations. ESG reporting is mainly about the influence of activities of company on three blocks, which is society, nature, and corporate management. Every aspect of sustainable and responsible investments is covered with ESG meaning. Under ESG framework as well as financial indicators, the focus is on the effectiveness of ESG and its influence on firm. ESG reporting is an outcome of increased pressure of public on firms disclosing their ESG performance. However, main elements of such reports are not based on core measurement and accounting concepts and they regularly evasion to measures of processes and inputs rather than real outputs. Rising ESG disclosures, corporates might not cure every ill of society. It is not immaterial, and could be a compound for responsibility and improvement. In order to extend disclosure of a broader variety of environmental and societal influence businesses can innovate after they learn about disclosing and assessing some highly meaningful and manageable measurements (Gaurav & Aman, 2022).

Environmental, Social, and Governance (ESG) disclosure is about mandatory or voluntary reporting of non-financial information on sustainability performance of company and influence on various stakeholders like customers, investors, suppliers, regulator and society as a whole. ESG disclosure has become highly essential in the business world, because stakeholders demand high level of transparency as well as accountability from business firm with regards to their social as well as environmental risks and responsibilities. Significant implications can also be made by ESG disclosure on financial performance and value of company as it would make impact on accessing of capital, capital cost, reputation, competitiveness and profitability. It is imperious for executives to understand that ESG is a strong instrument yielding financial and non-financial advantages. Non-financial companies that are listed were also investigated, which measured the impact of debt ratio on value of firm and establishment of leveraging ratio make adverse influence on valuation of company, Large and financially strong business firms, and some non-financial business firms are more likely to involve in environmental at offer more comprehensive information. The capex decisions of companies must align with the governance practices, as governance can impact the level of ESG disclosures after making investment in capex. Business enterprises with high level of governance quality can disclose more information on ESG after making investment in capex in comparison to those companies who have low quality of governance. It would improve the trustworthiness and reliability of ESG disclosure, and responsiveness and accountability of management to demands and pressures of stakeholders. It is suggested that investors must consider the quality of governance in companies making influence on the level of ESG disclosure after making investment in capex. Companies with high governance quality are preferred by investors as they disclose more information on ESG after making investment in capex in comparison to companies with low quality governance. It can provide transparency as well as assurance for investors providing opportunity for involvement and influences (Gherghina, 2024). Economic Sustainability Reporting (ECSR) and Social Sustainability Reporting (SSR) makes a positive impact on financial performance. This shows that progressive increase in reporting of economic sustainability reporting (ECSR) and Social Sustainability Reporting (SSR) brings a rise in financial performance of non-financial companies. Global Reporting Initiative (GRI) is a framework assisting companies disclosing positive as well as negative influence of business on environment, the economy, and society. The focus of GRI is to help business firms to communicate the impacts of ESG and how they manage the influences. One of the most referenced frameworks of ESG is GRI among all industries that receives 83% of total references to framework ESG. For investors and companies alike, an ESG has become a priority, ESG scoring aspires to grade organization on its efforts on ESG. Like a credit score or a rating of bond, an ESG score signifies the ability of company to meet its commitment on ESG, its performance and exposure to risk. Assigned by third-party providers, scores of ESG are evaluated based on a set of metrics of ESG. All such agencies use distinct set of criteria to score organizations. Sustainability and ESG are used sometimes interchangeably, but there are some distinguished differences. Sustainability is association of companies to environment, whereas ESG extends that association to social responsibilities and corruptions. ESG is a framework of external investment, or a type of metrics assisting business firm to communicate their initiatives and investors evaluating the performance and risk of company. On the other hand, sustainability is seen as an internal framework guiding capital investment of organization. Sustainability in other words is motivation, ESG is reported result. ESG is a reporting framework that is more relevant to publicly traded business firms looking attractive and inform investors or any other business that looks for attractive financing. ESG aspires to be set of disclosure standards that firms complete for communicative sustainability initiatives. Stakeholders or investors use ESG reports screening their investments. While a universal standard does not exist yet, ESG reporting does exist in the form of regional framework of reporting, voluntary standards, and national legislation varying significantly. Oftentimes, organizations would include ESG reporting in annual reports showing how sustainable the business is (Dzugwahi & Ola, 2024).

Materiality assessment is playing a vital role that helps companies in selecting ESG topics including sustainable report. Main steps are presented in this work of materiality assessment, used methods, and how complications, ambiguity, and appraising nature of sustainability issues. Lacking common materiality permits room for managerial pleasure is restricted by standards of mandatory reporting and materiality edges, which are self-sufficiently set up by auditors, for reports of non-financial data, materiality assessment is directed by company itself regardless of standard methods. Lacking standard methods enables "greenwashing", means disclosing optimistic information regarding environmental or social performance of company, without full disclosure of negative information on such dimensions, so as to develop positive corporate image. Preventing ambiguous or unfair materiality assessment but still treat materiality specifically as per the organization, materiality assessment of non-financial information must be standardised. Main setters of standards for reporting non-financial information have started consolidating its definitions making an agreement confirming there are two main viewpoints about materiality. Determining which non-financial information and data should be disclosed companies must evaluate and comparison of materiality of topics of ESG to be done for their businesses. Highlighting such topics of ESG are sustainability challenges with regards to welfare of human and their well-being going beyond the boundaries of the company. Such sustainability challenges have three main features complicating the evaluation of materiality, complications, uncertainties and appraising nature. Some companies may see the materiality assessment as a tick-box exercise that copy the practice of peers or may outsource it to some mentor, just for obeying standards of reporting. Though, while making full use of materiality valuation, it would offer deep understandings into tensions in activities of sustainability. When communicated evidently, these understandings would not only avert shareholders from condemning company of "greenwashing," but it would permit them for honest and open conversation as well regarding tension companies in setting up the priorities for practical actions on sustainable development (Garst, Maas & Suijs, 2022).

A significant shift has been experienced by the requirement of reporting sustainable matters in the past few years, from supplement to improve decisions of usefulness of financial reports. Not just such growth indicate that extra consideration is being given to rising significantly essential part of corporate reporting, but then again it also shows that in ways business organizations and its social responsibility are seeing altering. Such alteration is highly dependent mainly on the data provision on the influence of business activities and how such data are therefore combined into investments decisions. This part how the recognized changes in these reporting requirements are considered might have a direct association with the materiality principles that are applied in framework of non-financial accounting or sustainable reporting. A trend from single to double materiality has been observed, the scope of information that must be reported has broadened, but at the same time the information application was limited by the overview of requirement of reporting of a particular sector for comparability. Anticipated alteration from non-financial reporting to sustainability reporting influences more than just the used vocabulary, indicating that a changed understanding is required for both the purpose of company's report on sustainability matters and aim to carry out this reporting. This change was driven by requirement and desire of interpreting the materiality principles appropriately (Baumuller & Sopp, 2021). The ESG factors practices make contribution towards an improved dynamic cost of management, innovation and retention of employees further leading to a more sustainable prospect for long-term growth. ESG performance make contribution for the growth of financial performance by making impact on decisions of investments on ESG scoring companies among stakeholders and investors that contributes towards the inclinations of companies to choose social responsibilities as well as environmental performances along with corporate governance as a means to secure the support and investment of prospective stakeholders and investors. Sustainability funding and socially responsible investment is implied by this study like Exchange Traded Fund that not just being limited towards making investment contribution but also includes financial performance like by investment and socially responsible funding returns and assets. Thus, it can be considered that ESG performance makes a positive and significant impact on financial performance through financial as well as non-financial metrics and integrating it into businesses shaping the market value and financial performance of forms due to the aspect of high ESG scoring companies that have an upper hand in sustainability development within the company that contributes towards sustainability in society as well as environment. For implementing such policies, non-financial metrics are considered essential that become important for investors considering to invest in an emerging attempt from the traditional practices of considering financial profits as a major element for making investment decisions. The study shows the impact of ESG as an element that impacts the attitude of investors and also contributes towards the funding and decisions of investment that forms through inventing the criteria of investment decisions by including the non-financial metrics into traditional perspective of profitability as criteria of investment. ESG performance like ESG risk scores and ESG metrics scores with regards to ESG performance among companies having impact on financial performance and activities like funding and investment as well as financial returns and advantages together with financial profitability and development of corporate financial performances and firm's market value. Sustainability funding and socially responsible investment like Exchange Traded Fund are recognized as financial that are included with investment and financial performance development initiators for PSG supported sustainability development in environment and society together with financial performance (Bansal, 2024). Resource and capacity are tangible and intangible assets and capabilities of organization supporting planning, application and monitoring initiatives of ESG. Though non directly financial, such elements are critical enablers to achieve meaningful and measurable results of ESG. Resource and Capacity include human, technical, informational and infrastructural factors that are mobilized by organization to fulfil objectives of ESG. Resource and capacity are indispensable non-financial elements determining whether ESG strategies are actionable and sustainable. Without having right people, tools, system and commitment, even the highly ambitious policies of ESG are ineffective. Strengthening internal capabilities make sure that ESG is implanted in the core operations of organization and make contribution towards meaningful creation of value. NFR (non-financial reporting) is considered as a vital step for organizational transparency as well as accountability. While the number of non-financial reports are published every-year is exponentially rising over the past few years, its quality and effectiveness in management of environmental, social and governance (ESG) performance has always been questioned. NFR (non-financial reporting) do not just offer stakeholder communication channel by which a company can disclose its progress related to environmental, social and governance (ESG) commitments but also operationalize corporate performance dimensions, and as such expected to support transition of sustainability in organization. Evidences are offered by the outcome about the promising role of required framework in nations with a feature with under-development of intended non-financial disclosures providing support for institutional viewpoint on validity which is perceived not just as strategic resource, but also as a belief that constitutes organizations as well as their practice. The findings suggest that sustainability logic is promoted by transnational legislation has the potential of redefining the business society contract, even in the environment which is highly dominated by logic of market and focus on self-interest and maximization of stakeholder value (Aluchna, Menkes & Kaminski, 2022).

A vital role is played by leadership commitment and corporate culture as non-financial indicators that make significant impact on sustainable performance of company. These are not quantifiable directly in monetary terms, such elements shape how a company approach to ESG goals integrating them into strategic decision-making. Corporate culture is shared values, beliefs, attitude, and practices featuring an organization. In ESG context, a strong culture promoting sustainability, diversity, ethics, and transparency develops responsible attitude in organization. Leadership commitment is active engagement and dedication of top management in implanting ESG principles at different levels of organizations. Leadership commitment and corporate culture are foundational non-financial elements make impact on the efficacy and credibility of ESG strategies. Companies developing a sustainability-oriented culture showing strong leadership commitment are better placed in meeting ESG expectations, management of risks, and in creating long-term values for stakeholders. Increased attention is received by environmental externalities because of the rising imperatives of sustainable development and raising awareness about environmental protection. The progress and examination of new framework of investment have begun to be applied by companies and regulatory bodies. Both national and international rating agencies have made contribution towards the enhancement of ESG investment, regulations, and practices of disclosure leading to broad aspect of non-financial performance element that are being considered involving controls, social responsibility and some other relevant issues giving an outcome in more proper and comprehensive framework of evaluation. Transparent and standard reporting system of ESG must be promoted to provide investors as well as other stakeholders to make better decisions. Moreover, initiatives of reinforcing sustainable financial like loans linked with ESG and green bonds must be fortified to incentivize companies in enhancing ESG performance that would result in accessing added funds to make sustainable investment decisions. These trials might develop environment sustainability, high market efficacy and long-term financial stability of company (Khalil, Khalil & Sinliamthong, 2024). A significant attention is gained by ESG all over the world. Subsequently, regulatory authorities in majority of nations have set up obligatory ESG disclosures. However, the focus of the work is on ESG disclosures, which is comparatively new and still emerging. The environmental dimensions entailing how businesses manage their wastes, use renewable energy, polluting environment by their business operations, and responding to the problems due to climatic changes. Under the dimension of environment, stakeholders are raising concern with regards to the how to address climatic changes, management of water, and treating garbage. Issues and duties related with the organization of social associations, policies, diversity and politics are addressed by social dimensions. The focus of governance dimensions is on management of businesses and the communication between board along with other stakeholders. Various concerns of stakeholders are addressed by governance aspect like efforts that are rewarded in organization or whether the organization provides reports about its governance or motivates ethical standards (Khamisu & Paluri, 2024).

ESG factors are being utilized gradually in assessing long-term success of organization, data capital, and improved decision-making for sustainable growth. Studies on ESG are still developing by using broad range of new technologies to enhance transparency, overcoming deficiencies of ESG that have occurred are yet to be studied. It is suggested that managers and companies might not involve in investment portfolio, and not just due to its ESG performance. It is probable that their ESG methods of disclosures are slow or non-existent. Investors must have the capability of managing ESG related risks effectively and make sustainable investment if complete disclosure material is prioritized (Yadav et al., 2024). In ESG metric framework, collection of data, and management capabilities play a vital non-financial enabler that make direct influence on ability of organization in monitoring, reporting and improving ESG performance. These capabilities show company's digital maturity, transparency and operational control in its sustainability efforts. Collection of Data and management capabilities is about processes, system, tools and organizational capabilities that are used for gathering, storing, analysing, and reporting data related to criteria of ESG. It includes structured as well as unstructured data across ESG domain. Collection of data and management of capabilities are crucial non-financial elements supporting efficacy, credibility, and responsiveness of ESG performance of company. Such capabilities do not just show operational readiness of organization for sustainable development but also improve its capability to obey, compete and invent in a swiftly emerging landscape of ESG. ESG reporting is obliged by various element that include mandatory non-financial disclosures and reporting specific by regulations and directives. For example, business organization who have more than 500 workers are obligated to disclose non-financial risks as well as opportunities on the basis of their business model. In addition to the challenges of seeing the world by the lens of accounting and reporting, there is lack of talent with set of interdisciplinary skills in ecological science, engineering, project management and social science research. This lack of talent works as a substantial hindrance to achieve sustainable development. Addressing this requirement of market, it is essential to reform financial and engineering courses for incorporating interdisciplinary training. If the goal of company is sustainable development, the inadequacy of social contract must be revised and objects must take a purpose-driven transformative role. The development and verification of solutions to terrific issues like companies are facing need a systematic and reiterative approach. ESG reporting is encouraged by multifaceted landscape of various elements. Prime among these is the rising demand from stakeholders that include customers, investors and employees for transparency with regards to environment and social influence of company. Stakeholders like to match themselves with businesses that show responsible practices. Furthermore, ESG reporting works as a risk-management tool. Business organization recognize that ignoring social and environmental concerns lead to reputational as well as financial risks that includes legal liabilities and regulatory fines (Chopra et al., 2023). Knowledge and understanding regarding significance of ESG practices for society has risen in recent years among stakeholders, citizens and investor regulators, but extra efforts are required to improve knowledge regarding positive influence of ESG practices on performance of company. ESG can make impact on variety of performance elements. ESG covers factors like interaction of stakeholders, reduction of risks, and management of quality, all of which help companies in making sound decisions. Companies with good understanding about sustainability and have knowledge how to place an emphasis on it can find out potential risks that might not have been detected previously. Companies who have strong ESG practices would have more better access to financial and increased efficacy ultimately resulting in cost saving. Business organizations supporting such initiatives can overcome competitive hindrances like ESG gains market traction. Lastly, such advantages since it can surpass expectations of customers while developing sustainability and resilience over the long run. Business enterprise with strong framework of governance, good employee treatment, and investment in environment friendly practices are more possibly experience sturdy growth and favourable association with a variety of stakeholders. The manner in which business use their ESG practices for communicating their commitment towards ethical and sustainable practices about how signalling theory and ESG are interconnected. In the current business environment, it has become evident that companies emphasizing ESG elements usually show better long-term performance and management of risk (Radzi, Hamid & Ismail, 2023).

Understanding associated with the concept of ESG (Environmental, Social and Governance) integration of sustainability disclosure is what business firms must do, on the basis of the outcome of explanation associated with ESG. Study was carried to organization of integrating ESG reports into sustainability reports, where such reports include reports on corporate responsibility, corporate performance, and corporate governance. Environmental, Social and Governance reporting and its disclosure permits financial performance as it attracts revenue and optimize managerial decisions. Non-financial sustainability disclosure is about how any company have the opportunity of communicating regularly about their economic, social and environmental performance to stakeholders. Therefore, sustainability disclosure can be conducted in various forms like performance reporting, social balance sheet, sustainability reporting as well as by inserting a series of non-financial information in accounting reports or even through a non-financial statement. The non-financial information and data that are presented are framework of sustainable reporting that are important for company for presenting their performance and social as well as environmental effect (Gafencu, 2023). Lacking disclosure of ESG by companies can result in poor investment strategies in sectors that are highly risky that can pollute the whole environment or create discrimination against employees. Integrating Environmental, Social and Governance into investment decision of a company will help investors to make decisions on the basis of its overall performance instead on financial performance. The implementation and benefits of sustainable disclosure has been investigated in this work by integrating aspects of ESGs in corporate sustainability disclosures. The outcome of the study revealed that aspects of ESG in corporate sustainability disclosures, mainly through sustainable initiatives and CSR (Corporate Social Responsibility) programs, do not just fulfil the requirements for sustainable reporting but also develop a positive influence which is in line with the ESG sustainability principles. The steps of ESG integration include identification of relevant material of ESG, evaluating and examining ESG performance, application of sustainable policies, integration of ESG in the process of decision-making, engagement of stakeholders, continuous reporting, and improvement. Despite of the progress, there are several challenges like complications of supply chain, difficulties related to measurement and standardization, difficulty in communication of social effects, short-term financial pressures, regulatory uncertainties, and lacking skills and resources. Thus, firms must have to balance short-term financial requirements and commitment towards long-term sustainability and must be ready to face the regulatory transformation and overcome resource constraints. Today, many firms are understanding the significance of reporting ESG performance transparently as well as openly. Such awareness was activated the rising demand from stakeholders that include consumers, investors and general public who are concerned about social and environmental effects of business activities. Corporate sustainability disclosure has become a crucial tool for communication of company with stakeholders that assist in conveying tangible efforts that are made in management of issues related to ESG. Sustainable disclosure has become significant capital for business organizations, mainly to attract attention of investors and to meet standards of government regulatory. Organizations mainly those who operate on small or medium size level, might experience skills and resource constraints to manage initiatives of ESG. However, sustainability awareness is pressing increasingly, and firms are expected to adapt, overcome the challenges and integrating ESG as a vital part of long-term strategy of business. Therefore, practices of ESG are obligations and also an opportunity for creating added value for stakeholders and develop a sustainable foundation of business (Sjam, Mulyana & Amertapama, 2024). Substantial challenges stays in alignment of performance of ESG with practices of disclosure, corporate sustainability reporting is regarding accountability and transparency in performance of ESG which ensures that business match with the global sustainability goals as well as maintain trust of stakeholders. A comprehensive review is provided by study regarding mandatory CSR and sustainability disclosure regulations that highlights the requirement for standardized approach towards disclosure of ESG for enhancement of comparability and reduction of asymmetry of information. Companies having low score of sustainability are not uniformly related with high ESG probably because of varied expectations and interpretation of what creates sustainability and ESG washing in distinct context. Such insights highlight the complications to interpret sustainability and sentiment data and underline the requirement for a detailed examination to understand the driving force behind such association (Lagasio, 2024).

3. OBJECTIVE

To study the Importance of non-financial aspects of Environmental, Social and Governance (ESG) Metrics in Sustainability Reporting.

Study's Methodology

259 participants from people of different educational background were surveyed as a sample. Sampling method was "Random sampling" to collect data and examination was done by "Exploratory Factor Analysis" for outcome.

Study's finding

Table 1. demonstrates demographic details, it shows that 50.58% are Male, 49.42% are female. Looking at the age, 32.05% are between 30 to 35 years of age, 35.13% are between 35 to 40 years of age, and 32.82% are above 40 years of age. With

regards to educational background, 29.73% are graduates, 39.77% are post-graduates, and 30.50% are professionally trained.

Table 1. Demographic Details of Participants

“Variables”	**“Participants”**	**“Percentage”**
Gender		
Male	131	50.58%
Female	128	49.42%
Total	**259**	**100**
Age		
30 to 35	83	32.05%
35 to 40	91	35.13%
Above 40	85	32.82%
Total	**259**	**100**
Educational background		
Graduates	77	29.73%
Post-graduates	103	39.77%
Professionally trained	79	30.50%
Total	**259**	**100**

“Factor Analysis”

Table 2 “KMO and Bartlett's Test”

“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		.758
“Bartlett's Test of Sphericity”	“Approx. Chi-Square”	4332.685
	df	91
	Significance	.000

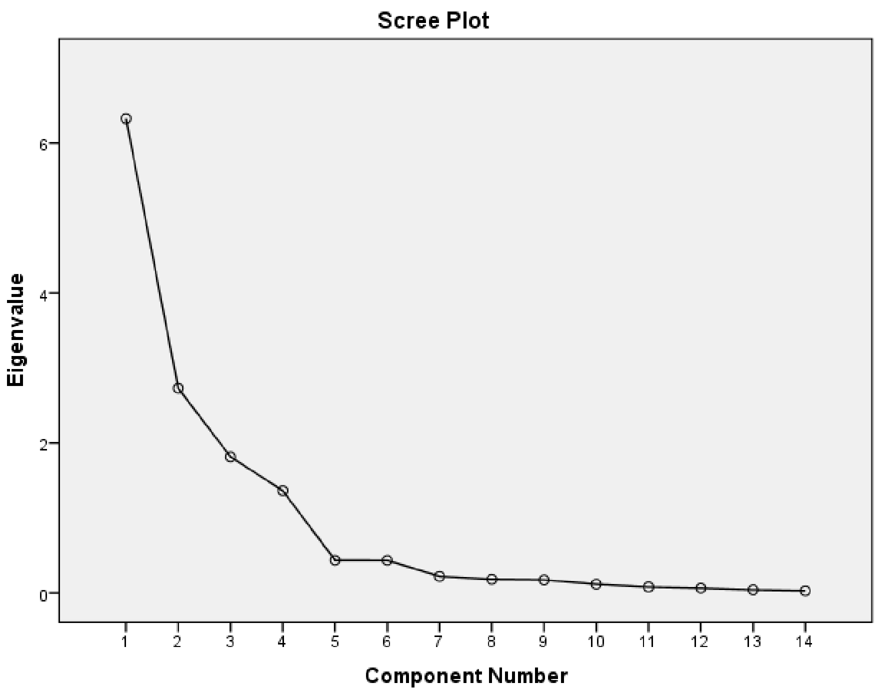
“KMO and Bartlett's Test”, value of KMO is .758

Table 3. “Total Variance Explained”

“Component”	**“Initial Eigenvalues”**			**“Rotation Sums of Squared Loadings”**		
	“Total”	**“% Of Variance”**	**“Cumulative %”**	**“Total”**	**“% Of Variance”**	**“Cumulative %”**
1	6.326	45.188	45.188	**3.745**	26.747	26.747

2	2.730	19.497	64.686	**3.694**	26.388	53.136
3	1.814	12.956	77.641	**2.506**	17.902	71.038
4	1.363	9.735	87.377	**2.287**	16.339	**87.377**
5	.435	3.106	90.483			
6	.433	3.096	93.579			
7	.219	1.567	95.147			
8	.181	1.290	96.437			
9	.172	1.228	97.665			
10	.117	.834	98.499			
11	.079	.562	99.060			
12	.064	.457	99.518			
13	.040	.288	99.806			
14	.027	.194	100.000			

Table 3. Four factors contributing towards explaining total 87.377% of variance. Variance explained by Corporate Culture and Leadership Commitment is 26.747%, Materiality Assessment is 26.388%, Data Collection and Management Capabilities is 17.902%, and Resources and Capacity is 16.339%.



Scree Plot

Table 4. "Rotated Component Matrix"

S. No.	Statements	Factor Loading	Factor Reliability
	Corporate Culture and Leadership Commitment		**.952**
1.	Commitment from senior management is essential for embedding ESG into strategy	.944	
2.	Influences resource allocation for data collection, initiatives, and reporting	.880	
3.	Important for ESG decision-making, and risk management processes	.865	
4.	Employee awareness, understanding, and participation in ESG initiatives	.847	
	Materiality Assessment		**.966**
1.	Non-financial ESG factors vary significantly by industry	.960	
2.	Identifying which ESG issues are important to stakeholders dictates reporting priorities	.911	
3.	Assessing which ESG factors pose the greatest risks or opportunities	.905	
4.	Provide deep insights into tensions in sustainability activities	.887	
	Data Collection and Management Capabilities		**.879**
1.	Ability to collect accurate, and complete non-financial data across organization	.919	
2.	Investment in robust ESG reporting software, data analytics tools, and internal systems	.829	
3.	Establishing processes to ensure the reliability and integrity of non-financial data	.815	
	Resources and Capacity		**.819**
1.	The budget allocated for ESG initiatives, data systems, and reporting efforts	.932	
2.	Availability of skilled personnel with expertise in sustainability, data management, and reporting	.923	

3.	Effective collaboration between different departments for comprehensive data gathering	.613	

Factors of the study and its related variables

Table 4. Show the first factor as Corporate Culture and Leadership Commitment, it includes variables like Commitment from senior management is essential for embedding ESG into strategy, Influences resource allocation for data collection, initiatives, and reporting, Important for ESG decision-making, and risk management processes, and Employee awareness, understanding, and participation in ESG initiatives. Materiality Assessment is the second factor, the variables it includes are Non-financial ESG factors vary significantly by industry, Non-financial ESG factors vary significantly by industry, Non-financial ESG factors vary significantly by industry, and Provide deep insights into tensions in sustainability activities. Third factor is Data Collection and Management Capabilities, Ability to collect accurate, and complete non-financial data across organization, Investment in robust ESG reporting software, data analytics tools, and internal systems, and Establishing processes to ensure the reliability and integrity of non-financial data. Last and fourth factor is Resources and Capacity, its variables are the budget allocated for ESG initiatives, data systems, and reporting efforts, Availability of skilled personnel with expertise in sustainability, data management, and reporting, and Effective collaboration between different departments for comprehensive data gathering.

Table 5. "Reliability Statistics"

"Cronbach's Alpha"	"Number of Items"
.894	14

Table 5. Total reliability of 14 items that includes variables for Importance of non-financial aspects of Environmental, Social and Governance (ESG) Metrics in Sustainability Reporting 0.894.

"Multiple Regression"

Table 6. "Model Summary"

"Model"	"R"	"R Square"	"Adjusted R Square"	"Std. Error of the Estimate"
1	.891[a]	.795	.792	.29287
a. Predictors: (Constant), Corporate Culture and Leadership Commitment, Materiality Assessment, Data Collection and Management Capabilities, and Resources and Capacity				

Table 6. Multiple regressions shows that model explained is 79% of the variance and R Square is .795.

Table 7. "ANOVA"

"Model"		**"Sum of Squares"**	**"df"**	**"Mean Square"**	**"F"**	**"Sig."**
1	Regression	84.368	4	21.092	245.901	.000[b]
	Residual	21.787	254	.086		
	Total	106.154	258			
a. Dependent Variable: Overall Impact of effective sustainability reporting						
b. Predictors: (Constant), Corporate Culture and Leadership Commitment, Materiality Assessment, Data Collection and Management Capabilities, and Resources and Capacity						

Tabe 8. Coefficients

“Model”	**“Unstandardized Coefficients”**		**“Standardized Coefficients”**	**“t”**	**Sig.”**
	“B”	**“Std. Error”**	**“Beta”**		
“(Constant)”	4.205	.018		231.047	.000
Corporate Culture and Leadership Commitment	.149	.018	.232	8.148	.000
Materiality Assessment	.037	.018	.058	2.049	.041
Data Collection and Management Capabilities	.518	.018	.807	28.387	.000
Resources and Capacity	.189	.018	.294	10.353	.000
a. Dependent Variable: Overall impact of effective sustainability reporting					

Table 8. shows that all the factors namely Corporate Culture and Leadership Commitment, Materiality Assessment, Data Collection and Management Capabilities, and Resources and Capacity are showing significant impact of effective sustainability reporting. It is also found that highest impact is shown by Data Collection and Management Capabilities showing beta value .807 followed by Resources and Capacity (.294), Corporate Culture and Leadership Commitment (.232), and Materiality Assessment (.058).

4. DISCUSSION

Non-financial indicators of ESG are qualitative and quantitative measures capturing company’s performance in environmental, social and governance dimensions beyond traditional financial metrics. They do not measure the profit, revenue and shareholder’s returns directly. Instead, they show how responsibly and sustainably a company operates their business. The rising global emphasis on sustainable development has elevated the significance of corporate sustainable disclosure, where non-financial indicators of ESG are playing crucial role. Unlike traditional financial metrics primarily capturing the short-term profitability and returns of shareholders, non-financial indicators of ESG are providing a multidimensional view of long-term resilience of business organization including social responsibility and ethical conduct. Its role in corporate sustainability disclosure is transformative as well as challenging. Non-financial indicators of ESG have broaden the lens of measuring the performance. By integrating non-financial disclosures, companies can improve trust and legitimacy of stakeholders, mainly in market where ethical considerations that make strong influence on decision of investment. This shows that corporate sustainability is no more peripheral but integral to competitive benefit. Non-financial indicators of ESG are playing a vital role to improve transparency, scope and strategic relevance of corporate sustainable disclosures. While challenges associated with standardization, verification, and comparability persevere, trend toward mandatory, integrated, and stakeholder-focused reporting framework recommends that non-financial indicators of ESG will continue to shape up the future of corporate accountability and sustainable creation of value.

5. CONCLUSION

Non-financial aspects of ESG (Environmental, Social, and Governance) plays an important part in advancing the efficacy and credibility of sustainable reporting. These factors provide a broader, and holistic view of performance of a company beyond traditional metrics of finance that captures its long-term creation of value, ethical behaviour and societal influence. Organization’s commitment towards resource efficacy and climate responsibility is reflected by environmental aspect, social metrics highlights practices of labor, engagement with community, and inclusivity while indicators of governance underlines leadership accountability, transparency and ethical management. Together, such non-financial dimensions develop trust among stakeholder, provide support to regulatory compliance, appeal responsible investment, and drive organizational flexibility and innovation. As global stakeholders are demanding transparency and accountability increasingly, integration on non-financial metrics of ESG into sustainability reporting is not only a regulatory need but a strategic imperative for businesses who seek long-term growth and sustainable growth and success. The study concludes that all the factors Corporate Culture and Leadership Commitment, Materiality Assessment, Data Collection and Management Capabilities, and Resources and Capacity are showing significant impact of effective sustainability reporting.

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