# Corporate Governance, ESG, Audit Committee and Financial Performance in European Investment Holding Companies

**Andreea Larisa Olteanu (Burcă)**
Bucharest University of Economic Studies, Bucharest, Romania

Andreea.larisa.olteanu@gmail.com

**Abstract:** The purpose of this research paper is to explore the connection between Corporate Governance, Environmental, Social and Governance (ESG), Audit Committee (AC) and Financial Performance in European Investment Holding Companies. This paper aims to understand whether there is a correlation between these elements. The study answers the following research question: "What is the impact of corporate governance indicators, ESG and financial performance on investments in public holding companies in Europe?" Our findings reveal significant correlations between corporate governance structures and financial performance metrics, as well as the influence of ESG ratings on financial performance and corporate governance. Additionally, we identify the effects of audit committee characteristics on financial performance and ESG outcomes. The reported data is collected from a sample of companies included in the Refinitiv Eikon Database and analysed using a panel data analysis at both regional and industry level. The sample is composed of 228 European Companies, covering a period of 4 years, from 2019-2022. I chose this because it includes the impact of the pandemic and the post-pandemic recovery period, providing insight into the adaptability and resilience of companies in the face of major economic challenges. This research contributes to a deeper understanding of the dynamics between corporate governance, ESG practices and financial performance, providing valuable insights for investors, managers and regulators aiming to navigate sustainable investment strategies in the European market. This sample is considered large enough to provide meaningful data and draw relevant conclusions. Companies from various European countries were included to reflect the diversity of the market and to analyse variations in governance and ESG practices in different national contexts. The focus on public holding companies provides a specific perspective on how these entities manage corporate governance and ESG, given their importance in the European economy. The selection of the sample was based on the availability of financial and corporate governance data to ensure the reliability and validity of the analysis. This data will be used to investigate how governance and ESG practices influence companies' financial performance, thus providing important insights for understanding the relationship between these aspects within the European market.

**Keywords**: ESG (Environmental, Social, Governance), Corporate Governance, Audit Committee (AC), CSR (Corporate Social Responsibility), Financial Performance)

## 1. Introduction

Organisations are increasingly expected to play leading roles in creating a net-zero economy, meaning an economic system where total greenhouse gas emissions are balanced by the amount removed. Organisations are expected to lead this transition by reducing their carbon footprint and investing in sustainable practices. The themes of corporate governance, financial performance, ESG, transparency, and disclosure have been a prominent subject in accounting and finance literature in recent years.(Kim S., Li F. Z, 2021) The growing interest from local and foreign investors, as well as the financial risks and opportunities it has presented, can be attributed to the growing demand for greater (ESG) and sustainability disclosure. (Greenberg K, 2021);(Reali P. et. al 2021) For investment holding companies, the benefits and hazards related to ESG factors are becoming more significant. Investment businesses are interested in both the increasing attention that regulatory agencies are paying to disclosures on ESG risks, as well as the ESG risks that they face as lenders. As a matter of fact, the disclosure of ESG elements is an essential instrument for market discipline, enabling stakeholders to evaluate the environmental risks and sustainable financing strategy of investment holding firms. Moreover, prioritising sustainability is crucial for the business and its portfolio companies to successfully fulfill their mission. By integrating sustainability into their operations, they can ensure long-term success and positive impact. “We believe our sustainability agenda is important in ensuring our business and our portfolio companies are able to deliver on our shared mission – to get products to patients who really need them.” (Chris Hollowwod,Chief Executive Officer, Syncona Investment Management Limited, 2023)

## 2. Literature Review

In my research, I used a linear regression model to examine the relationship between the independent variables (Corporate Governance Board Committee, Audit Board Committee, Environmental Pillar Score, Social Pillar Score, Governance Pillar Score, Audit Committee Expertise, Revenue, Audit Committee Independence Score, and Audit Committee Expertise Score) and the dependent variable (Net Income After Taxes). The analysis was based on the following research hypotheses:

- Null hypothesis (H0): There is no significant correlation between Net Income After Taxes and independent variables
- Alternative hypothesis (H1): There is at least one independent variable that has a significant correlation with Net Income After Taxes.

Growing stakeholder interest in corporate transparency and disclosure stems from societal pressure and awareness. Stakeholders need more open, comparable, and trustworthy data on businesses' ESG (environmental, social, and governance) risks and performance to make informed decisions (Nuhu Y., Alam A., 2024). Within businesses, major corporate decisions are made in the boardroom. In response to societal, political, and regulatory pressures, boards have expanded their agendas to include sustainability issues, leading to the formation of specialised committees like the CSR committee (Agnese P., et al., 2024).

## 2.1 Financial Outcomes of ESG and CSR Initiatives in Investment Holding Companies

With the industry's rapid expansion, worries over greenwashing and rainbow washing, which are related to the Sustainable Development Goals, have grown. Covid-19 has also contributed to this increase. The investing community has also been impacted by the worries around greenwashing. (Meyers S. et.al, 2024)

Concept as ESG or Corporate social responsibility (CSR) has experienced considerable growth over the last decade, not least in the financial sector. In 2010, the market value of all assets managed under socially and environmentally responsible criteria reached US$3 trillion, which corresponds to a 380 percent increase compared to 1995 (US SIF, 2010). In turn, this has triggered a large number of academic studies that try to establish whether responsible investment is associated with higher returns and/or lower risk.

There is substantial literature on the financial implications of companies' CSR activities. CSR can be seen as a voluntary effort to address negative social and environmental impacts, potentially reducing profits. This behavior contrasts with mainstream economic theory, which views profit-maximisation as a company's primary motive. Studies such as (Bansal and Roth, 2000; Reinhardt and Stavins, 2010) suggest that CSR investments are influenced by economic conditions, internal strategies, and external mediators like governmental and non-governmental organisations. Key drivers for CSR adoption include increased managerial awareness and a favorable economic climate, which help integrate social responsibility into a firm's competitive strategy. This integration can enhance market position through product innovation, cost optimisation, and access to new technologies.

Resource dependence theory posits that improved ESG performance strengthens a company's access to critical resources, such as financial capital. Thus, companies might focus on projects that support these resource dependencies, indirectly benefiting the environment while serving other strategic goals. These theories highlight how ESG performance influences capital allocation and environmental investment, showcasing the complex interplay between sustainability and financial decision-making. (Yu. Z. et.al, 2024)

## 2.2 Audit Committee's Attributes

The role and attributes of the audit committee have become increasingly significant as business practices evolve, particularly with respect to their influence on the degree and reliability of corporate social responsibility disclosures. A broader audit committee is thought to bring together people with different backgrounds and viewpoints. This diversity can aid in the development of a more thorough understanding of the business's effects on the environment and society. A larger committee would have more people with experience in corporate social responsibility, ethics, or sustainability, which would improve the committee's capacity to direct and promote CSR disclosure. (Dwekat et al., 2020; Fahad & Rahman, 2020; Yekini & Jallow, 2012)

According to a report published by Deloitte (2024), as the regulatory environment becomes increasingly complex and organisations face new and ongoing challenges, audit committees are shouldering additional responsibilities. Their scope now extends beyond traditional areas like financial reporting, internal controls, and ethics programs to include pressing issues such as cybersecurity, artificial intelligence, and climate risk, particularly in the context of regulatory disclosure compliance.

Attention should also be given to audit committee independence. Independent directors are supposed to approach decision-making with an impartial and objective viewpoint. Independent directors on the audit committee may help provide more objective evaluations and a stronger sense of accountability in the context of CSR disclosure, resulting in assuring accurate and transparent CSR reporting. (Al-Najjar, 2011; Qaderi et al., 2023; Uyar et al., 2023).

Regular audit committee meetings offer an opportunity for in-depth conversation and supervision of business operations, including CSR projects. More frequent meetings enable committee members to monitor the CSR disclosure process actively, raise relevant questions, and keep updated, resulting in more thorough and thorough reports. Also, by holding regular meetings, the audit committee can keep up with new developments in CSR. More convening opportunities enable the committee to react quickly to new events in a corporate environment that is changing quickly. This keeps CSR disclosure timely, relevant, and in line with changing stakeholder expectations.

### 2.3 Corporate Governance in Investment Holding Companies

Currently, numerous nations have established minimum corporate governance standards. While these indicators differ widely among countries, listed companies on the stock exchange are obligated to adhere to these standards. The quality of accounting disclosure and assessment of information quality are influenced by the structure of corporate governance and provide guidance to analysts for accurately predicting future performance. (Cheng et. al 2019)

Investing in companies with a robust monitoring system result in higher efficiency. According to agency theory, managers aim to maximise their own interests within a company. They prioritise investing free cash flow in projects, even those that may not be profitable, to serve their own interests. Strengthening the quality of corporate governance leads to improved investment efficiency. A strong monitoring system in a company can be indicated by high investment efficiency, leading to an increase in investment efficiency. Corporate governance's proactive monitoring of high-risk investment events allows for the early identification of ineffective investments in the organisation, thus preventing inadequate investments. (He Y. et. al 2019).

In a report titled "Corporate Governance Policy in the European Union"-"Through an investor’s lens”, published by (CFA Institute, 2016), the complex nature of corporate governance in European investment holding companies is emphasised, emphasising the importance of achieving a balanced approach between control and independence. Standardised policies and procedures, including whistleblower policies, are implemented uniformly across subsidiaries to ensure consistent governance practices. Managing the relationship between parent and subsidiary requires careful attention to align subsidiary governance with the parent company's values, ethics, and strategic direction. This necessitates significant oversight from parent boards, as they invest considerable time in overseeing subsidiary business and risks. Effective subsidiary governance prevents unnecessary bureaucracy while maintaining strong control, ensuring that sound governance practices are consistently upheld across the organisation. This approach helps mitigate reputational and economic risks, fostering a cohesive and effective governance framework across all levels of the company.

## 3. Methodology

Given the theoretical framework, as well as the fact that there is currently a great interest in the nexus between Corporate Governance, ESG, Audit Committee and Financial Performance in European Investment Holding Companies, the main purpose of the research is to identify and analyse if there is a connection between all these indicators and how do they influence each other, and how they can vary depending on the observation time and the specifics of the scores used. Thus, through a quantitative research methodology, we analysed the information presented in the Refinitiv Eikon database.

In this regard, I resorted to selecting a sample of all public Investing Holding Companies in Europe, namely 223 companies, which published data on Refinitiv Eikon, between 2019 and 2022.

Therefore, I analysed the correlation between the financial performance indicators such as net income after taxes and revenue, AC indicators such as AC independence and expertise along with all the 3 ESG pillars score (Environmental, Social, Governance), for a period of 4 years, respectively, 2019 – 2022, based on data published by 223 companies in the European Investing Holding Companies industry. Russia and Ukraine were excluded from the study because they are in a conflict zone.

This approach was chosen to ensure a thorough representation of the industry across the specified period.

Encompassing all companies in the European Holding Companies industry and utilising data from Refinitiv Eikon ensured comprehensive representation as well as the reliability of the analysis.

The selected variables are relevant for assessing key aspects such as corporate governance, sustainability, and audit effectiveness, providing valuable insights into industry financial performance.

The sample consisting of 223 companies encompasses all companies in Europe that have published information regarding the analysed variables during the period 2019 – 2022, while also highlighting a varied distribution within the sample. Some countries, such as United Kingdom (49), Germany (41), and Bulgaria (42), have a significantly larger number of included companies, presumably reflecting the combination of attractiveness of capital markets, favorable regulations, tax benefits, access to investors and developed or developing financial infrastructure in these countries for Investment Holding Companies Industry.

On the other hand, there are countries with a reduced number of companies in the sample, which may reflect the combination of economic, regulatory, capital market infrastructure and political context, all influencing companies' decision. Overall, the distribution of companies suggests considerable geographic diversity in the sample, thus reflecting the complexity and variety of the European Investment Holding Companies. The detailed composition of the sample used to test the two hypotheses is presented below.

**Table 1: Distribution of companies**

| Country | Number of Companies |
|---|---|
| Austria | 3 |
| Belgium | 6 |
| Bulgaria | 42 |
| Croatia | 1 |
| Cyprus | 3 |
| Denmark | 2 |
| Estonia | 1 |
| Finland | 1 |
| France | 9 |
| Germany | 41 |
| Hungary | 3 |
| Italy | 2 |
| Luxembourg | 3 |
| Netherlands | 7 |
| Norway | 6 |
| Poland | 5 |
| Republic of Montenegro | 2 |
| Romania | 2 |
| Slovak Republic | 1 |
| Slovenia | 4 |
| Spain | 1 |
| Sweden | 24 |
| Switzerland | 5 |
| United Kingdom | 49 |

Source: Authors' own research

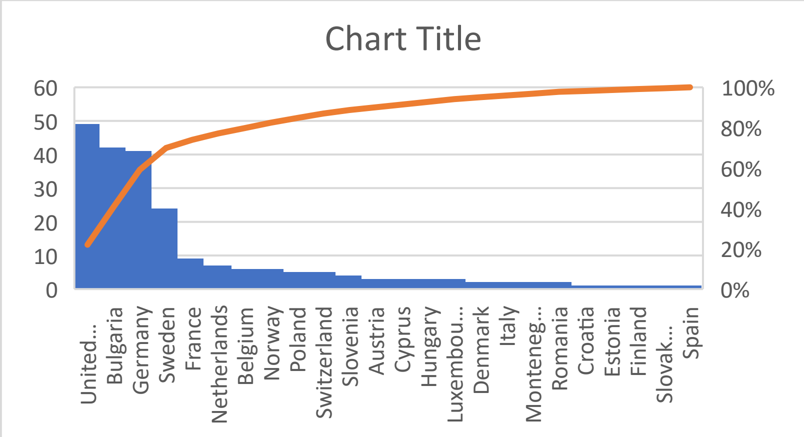


**Figure 1: Number of Public Investment Holding Companies in Europe by Country**

Source: Authors' own research

Analysing data from 2019 to 2022 enables the identification of trends over time, while the distribution of the sample across various European countries demonstrates the geographic diversity within the industry. The decision to analyse the last four years was based on the idea of observing changes following the Covid-19 pandemic in relation to ESG scores, Audit Committee (AC) scores, and financial performance, using 2019 as the reference point. I considered that reporting on the pandemic period is essential to understand the global impact on the Investment Holding Companies industry, the changes in human behavior, and the necessary adaptations, thus providing relevant insights and information for managing similar future events.

To highlight the correlation between independent variables such as Corporate Governance Board Committee, Audit Board Committee, Environmental Pillar Score, Social Pillar Score, Governance Pillar Score, Audit Committee Expertise, Revenue, Audit Committee Independence Score, Audit Committee Independence

Audit Committee Expertise Score, and the Net Income After Taxes dependent variable, this research employs a linear regression model, which was executed using the SPSS application. The linear regression model is formulated as follows:

$Y_i=\beta_0 +\beta_1 X_{1i}+\beta_2 X_{2i}+\beta_3 X_{3i}+\beta_4 X_{4i}+\varepsilon_i$

Where:

- $Y_i$= Net Income after Taxes dependent variable for observation i;
- $\beta_0$ = model intercept.
- $\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$ = coefficients associated with independent variables (Audit Committee Expertise Score, Audit Committee Independence Score, Environmental Pillar Score, Governance Pillar Score, Social Pillar Score, and Audit Committee Independence)
- $\varepsilon_i$ = random error associated with observation i.

## 4. Results and Discussions

To analyse both the null hypothesis and the alternative hypothesis, for the analysed period 2019 – 2022, for each year, a distinct regression analysis was performed, respectively the linear regression model was run within the SPSS application 4 times. The centralised results of the 4 regression models, related to the 4 years analysed, are presented centrally in Table no. 1 – Results of Regression Models.

**Table 2: Results of Regression Models**

| Year | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 2022 | .731[a] | .534 | .512 | 554067783 |
| 2021 | .847[a] | .717 | .704 | 271469821 |
| 2020 | .916[a] | .839 | .831 | 629817206 |
| 2019 | .928[a] | .861 | .855 | 175636507 |

Source: Authors' own research

The strength and direction of the association between two variables are determined by the correlation coefficient Pearson (R). In the present case, the independent variables and the independent variable show a positive, moderate to strong correlation, as indicated by the value of 0.731 obtained at the level of the most recent year examined, that of 2022.

About 53.4% of the variability at the level of 2022 can be explained by the independent variables, according to the coefficient of determination (R Square), which calculates the percentage of the dependent variable's variability that can be explained by the independent variables in the model.

From 2019 to 2021, there is an increasing trend in the R and $R$ Square values, indicating an improvement in model fit and the strength of the linear relationship. However, in 2022, there is a noticeable decrease in these values, suggesting a weaker model performance for that year. At the same time, given the associated value in the year 2022 analysed to the Adjusted R Square coefficient of 0.512, I can say that the analysed model indicates a significant correlation between the variables in the model, but about 48.8% of the variation of the dependent variable remains unexplained by the independent variables included in the model. On the other hand, during the entire analysed period, an increase in the coefficient of determination (R Square) can be observed. Starting with the second year (2021), the values consistently exceed 50%, indicating an improvement in the model's ability to explain the variation in the dependent variable (Net Income after Taxes). Specifically, the R Square values are 0.534 in 2022, 0.717 in 2021, 0.839 in 2020, and 0.861 in 2019.

To evaluate the performance of the regression model and determine the level of significance of the independent variables in explaining the variability in the Net Income after Taxes, I will present the ANOVA (Analysis of Variance) results in the following table.

**Table 3: Analysis of Variance**

| Year) | F | Sig. |
|---|---|---|
| 2022 | 23,996 | <.001b |
| 2021 | 53,559 | $<.001^{b}$ |
| 2020 | 110,406 | $<.001^{b}$ |
| 2019 | 146,009 | $<.001^{b}$ |

Source: Authors' own research

The ANOVA results demonstrate that for each year analysed, the regression models are statistically significant, meaning the independent variables significantly explain the variability in the Net Income after Taxes.

The increasing F-values from 2022 to 2019 suggest that the explanatory power of the model was highest in 2019 and gradually decreased each year thereafter.

Despite the decrease in F-values, the models remain statistically significant across all years, confirming the overall robustness and validity of the regression analysis.

These insights from the ANOVA results underscore the importance of the independent variables in explaining the Net Income after Taxes' variability over the analysed period, providing a strong foundation for further analysis and interpretation of the regression models.

In order to highlight the relative contribution of each independent variable to the dependent variable (probably Net Income after Taxes), I will present the results on the situation of B and Beta coefficients in a centralized manner.

| | | | | | | |
|---|---|---|---|---|---|---|
| | Audit Committee Expertise Score | 27752218.9 | 3.469.165.569 | .697 | 8.000 | <.001 |
| | Audit Committee Independence | -126133444 | 23600177.0 | -4.142 | -5.345 | <.001 |
| | Audit Committee Independence Score | 143323046 | 17352918.2 | 3.244 | 8.259 | <.001 |
| | Revenue | .088 | .024 | .155 | 3.713 | <.001 |
| | Governance Pillar Score | -19371425.7 | 7.211.177.058 | -.467 | -2.686 | .008 |
| | Social Pillar Score | 27956993.9 | 5.794.285.729 | .613 | 4.825 | <.001 |
| | Environmental Pillar Score | -38607109.1 | 4.873.590.017 | -.505 | -7.922 | <.001 |
| | Audit Board Committee | 2980642322 | 1019730082 | 1.206 | 2.923 | .004 |
| | Corporate Governance Board Committee | 9.904.525.747 | 12107836.0 | .003 | .072 | .943 |
| 2019 | (Constant | 2.278.648.372 | 12107836.0 | | .188 | .851 |
| | Audit Committee Expertise Score | -193301248 | 104062700 | -1.560 | -1.858 | .065 |
| | Audit Committee Independence | -75561712.2 | 14406408.1 | -.794 | -5.245 | <.001 |
| | Audit Committee Independence Score | 221283832 | 18228234.3 | 1.598 | 12.140 | <.001 |
| | Revenue | 1.003 | .072 | .640 | 13.929 | <.001 |
| | Audit Committee Expertise | 1,88E+13 | 7001870811 | 2.143 | 2.685 | .008 |
| | Governance Pillar Score | -35579606.0 | 11089226.5 | -.301 | -3.208 | .002 |
| | Social Pillar Score | 132009859 | 12738451.2 | .966 | 10.363 | <.001 |
| | Environmental Pillar Score | -85954840.9 | 14057554.1 | -.446 | -6.114 | <.001 |
| | Audit Board Committee | -6,70E+12 | 613820961 | -.988 | -10.911 | <.001 |
| | Corporate Governance Board Committee | -4,67E+12 | 431354796 | -.452 | -10.824 | <.001 |
| 2020 | (Constant | -32993227.3 | 43860610.5 | | -.752 | .453 |
| | Audit Committee Expertise Score | -71164143.4 | 40232459.8 | -1.759 | -1.769 | .078 |
| | Audit Committee Independence | 4.758.642.843 | 4.447.358.223 | .171 | 1.070 | .286 |
| | Audit Committee Independence Score | -58970151.1 | 6.144.566.132 | -1.469 | -9.597 | <.001 |
| | Revenue | -.024 | .023 | -.050 | -1.043 | .298 |
| | Audit Committee Expertise | 2776987335 | 2655382143 | .975 | 1.046 | .297 |
| | Governance Pillar Score | 25910432.1 | 4.386.477.748 | .740 | 5.907 | <.001 |
| | Social Pillar Score | -96806528.5 | 7.024.276.716 | -2.529 | -13.782 | <.001 |
| | Environmental Pillar Score | 71112526.7 | 6.237.454.021 | 1.431 | 11.401 | <.001 |
| | Audit Board Committee | 2708291284 | 224968787 | 1.365 | 12.039 | <.001 |
| | Corporate Governance Board Committee | .134 | .043 | 182 | 3,148 | <.001 |
| 2021 | Constant | 9.178.938.490 | 19072855.0 | | .481 | .631 |
| | Audit Committee Expertise Score | 28849104.0 | 118181344 | .473 | .244 | .807 |
| | Audit Committee Independence | 20792726.1 | 10063153.8 | .490 | 2.066 | .040 |
| | Audit Committee Independence Score | 7.906.586.234 | 13255235.1 | .133 | .596 | .551 |
| | Revenue | .256 | .040 | .384 | 6.426 | <.001 |
| | Audit Committee Expertise | 388631313 | 7788422659 | -.092 | -.050 | .960 |
| | Governance Pillar Score | 20094833.8 | 8.391.784.130 | .359 | 2.395 | .018 |
| | Social Pillar Score | 27582803.6 | 12532793.0 | .459 | 2.201 | .029 |
| | Environmental Pillar Score | -30520081.2 | 9.861.097.602 | -.428 | -3.095 | .002 |
| | Audit Board Committee | -2,06E+12 | 499520879 | -.657 | -4.128 | <.001 |
| | Corporate Governance Board Committee | -3,18E+12 | 390430162 | -.598 | -8.135 | <.001 |
| 2022 | Constant | -25655621.4 | 39161413.0 | | -.655 | .513 |
| | | B | | Beta | | |
| Year | Variables | Unstandardized Coefficients | Std. Error | Standardized Coefficients | t | Sig. |

**Figure 1: Coefficients**

Source: Authors' own research

The analysis of standardised beta coefficients in regression studies reveals how each independent factor affects Net Income After Taxes. These coefficients show the change in Net Income After Taxes for a one standard deviation shift in each independent factor, accounting for other variables in the model.In this study, Revenue is consistently found to have a positive and significant effect on Net Income After Taxes over a period of years, highlighting its significant role in influencing the dependent variable. This indicates that higher revenue is strongly linked to higher Net Income After Taxes. Variables that have both significant positive and negative effects point to the intricate relationship between different financial performance indicators and aspects of corporate governance. For example, the large negative coefficient for the Corporate Governance Board Committee in 2020 indicates that an increase in this factor leads to a decrease in Net Income After Taxes. On the other hand, the consistent positive coefficients for revenue over several years show a strong positive relationship between increased revenue and higher Net Income After Taxes. The Social and Environmental Pillar Scores show a wide range of variation over the years, with these scores sometimes having negative effects and other times positive effects, highlighting the subtle role these factors play in overall financial performance. For instance, in some years, better environmental performance is linked to lower Net Income After Taxes, while in others, it's linked positively. Similarly, the impact of the social pillar score varies, reflecting its complex and context-dependent relationship with financial results. In conclusion, these findings reveal the complex connections between financial performance, corporate governance, and sustainability indicators, with revenue consistently being a strong indicator of Net Income After Taxes.

## 5. Conclusion

The examination of corporate governance in European investment holding firms uncovers a complex link between corporate governance structures, ESG factors, and financial performance. The research found notable connections between corporate governance measures and financial performance criteria, illustrating that strong corporate governance and efficient audit committees have a positive impact on financial results. However, the influence of these factors is not consistent over all periods and can vary significantly depending on the broader economic and regulatory context.

The findings underscore the significance of revenue as a consistently strong positive factor in affecting net income after taxes, while the impacts of corporate governance board committees and audit board committees displayed variability. Notably, the ESG scores demonstrated fluctuating influences, with some years indicating adverse effects, highlighting the intricate nature of these associations. The importance of conducting thorough, situation-specific analysis becomes evident when examining the connections between corporate governance, ESG practices, and financial performance.

Financial performance is impacted by multiple factors working together, and the impact of each factor can vary depending on the specific circumstances of each period. Understanding these metrics necessitates in-depth scrutiny of each factor and how they interrelate over varying time frames.

Simply put, there is no straightforward and direct correlation between corporate governance and financial performance; rather, there exists a intricate web of connections that necessitates detailed scrutiny.

In summary, our research offers valuable perspectives for investors, executives, and policymakers seeking to formulate sustainable investment strategies in the European market. The combination of governance, environmental, social, and governance factors has a significant impact on financial performance, emphasising the interconnected nature of these elements rather than a sole determining factor. Given this intricate web of relationships, a more nuanced and thoughtful approach to corporate governance and ESG integration is essential to maximise financial results.

## Acknowledgements

This paper was co-financed by The Bucharest University of Economic Studies during the PhD program

## References

Agnese P., Arduino R., Cerciello M., Taddeo S., (2024), Does board knowledge matter for ESG performance in the European banking industry?, [online], https://doi.org/10.1002/csr.2811

Al-Najjar B., (2011), The Determinants of Audit Committee Independence and Activity: Evidence from the UK, [online], https://doi.org/10.1111/j.1099-1123.2011.00429.x

Bansal, P. and Roth, K. (2000), "Why companies go green: a model of ecological responsiveness", *The Academy of Management Journal, Vol. 43 No. 4, pp. 717-736* [online], 10.2307/1556363

CFA Institute, (2016), Corporate Governance Policy in the European Union-Through an investor's lens, ISBN: 978-1-942713-26-5

Cheng, et. al, (2019), Corporate governance and target price accuracy. *International Review of Financial Analysis* 64: 93–101, [online], https://doi.org/10.1016/j.irfa.2019.05.005

complements or substitutes in CSR reporting, assurance and GRI framework adoption? *International Journal of Accounting & Information Management, 31(1),1-36,* [online], https://doi.org/10.1108/IJAIM-04-2022-0086

Deloitte (2024), Audit Committee Practices report – Common threads across audit committees, [online], https://www2.deloitte.com/content/dam/Deloitte/us/Documents/audit/us-caq-deloitte-audit-committee-practices-report_2024-03-v2.pdf

Greenberg K, (2021), Demand for ESG Investments Soars Emerging From COVID-19 Pandemic, Investopedia, [online],https://www.investopedia.com/demand-for-esg-investments-soars-emerging-from-covid-19-pandemic-5193532

He Y., Chen H., Hu Y., (2019), Managerial overconfidence, internal financing, and investment efficiency: Evidence from China, [online], https://doi.org/10.1016/j.ribaf.2018.09.010

https://link.springer.com/article/10.1057/s41310-020-00082-1

Kim S., Li F. Z, (2021). Understanding the Impact of ESG Practices in Corporate Finance, [online], https://doi.org/10.3390/su13073746

Meyers M., S., Ferrero-Ferrero I., Muñoz-Torres, M., J., (2024), ARE sustainable funds doing the talk and the walk? An ESG score analysis of fund portfolio holdings, [online], https://doi.org/10.1016/j.iref.2024.04.023 Dwekat A et. al (2020), Corporate Governance Configurations and Corporate Social Responsibility Disclosure: Qualitative Comparative Analysis of Audit Committee and Board characteristics, [online], https://doi.org/10.1002/csr.2009

Nuhu y., Alam A., (2023), Board characteristics and ESG disclosure in energy industry: evidence from emerging economies, [online], *Journal of financial reporting and accounting,* https://0410elmci-y-https-www-emerald-com.z.e-nformation.ro/insight/content/doi/10.1108/JFRA-02-2023-0107/full/html#sec001

org/10.1108/20408021211223534

Qaderi, S. A., Ghaleb, B. A. A., Hashed, A. A., Alhmoud, T. R., & Kamardin, H. (2023). Audit Committee Leadership Attributes and CSR Reporting: Evidence from Jordan. *SAGE Open, 13(3).* [online], https://doi. org/10.1177/21582440231182593

Reali P, Grzech J., Garcia A., Nuveen, (2021), ESG: Investors Increasingly Seek Accountability and Outcomes, [online],https://corpgov.law.harvard.edu/2021/04/25/esg-investors-increasingly-seek-accountability-and-outcomes/

Reinhardt, F.L. and Stavins, R.N. (2010), "Corporate social responsibility, business strategy, and the environment", *Oxford Review of Economic Policy, Vol. 26 No. 2, pp. 164-181*.

report. Sustainability Accounting, Management and Policy Journal, 3(1), 7-32. https://doi.

Syncona Limited Sustainbility Report (2023), Making a positive impact through science, [online], https://www.synconaltd.com/media/qv3p2vgj/syn-sr23-web.pdf

Uyar, A., Elbardan, H., Kuzey, C., & Karaman, A. S. (2023). Audit and CSR committees: are they

Yekini, K., & Jallow, K. (2012).Corporate community involvement disclosures in annual

Yu Z., et. al, (2024), How does environmental, social, and governance (ESG) performance determine investment mix? New empirical evidence from BRICS, [online], https://doi.org/10.1016/j.bir.2024.02.007