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Examining the Impact of Environmental, Social, and Corporate Governance (ESG) Sustainability on Corporate Stressors

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1. Introduction

In today's competitive and dynamic business environment, companies are increasingly exposed to various organizational, financial, operational, and environmental pressures. These pressures, commonly referred to as corporate stressors, can adversely affect firm performance, managerial decision-making, stakeholder relationships, and long-term sustainability. At the same time, growing global attention to sustainable development has encouraged companies to adopt broader responsibilities beyond traditional profit maximization. In this regard, Environmental, Social, and Governance (ESG) sustainability has emerged as an important framework for evaluating corporate behavior and organizational performance. ESG practices are widely recognized as mechanisms for improving transparency, strengthening stakeholder confidence, enhancing corporate reputation, and reducing organizational risks and uncertainties.

Environmental sustainability emphasizes responsible resource utilization, pollution prevention, and compliance with environmental regulations. Social sustainability focuses on employee welfare, customer satisfaction, social responsibility, and relationships with local communities. Corporate governance sustainability, in turn, highlights transparency, accountability, effective supervision, and responsible managerial decision-making. These three dimensions can contribute to organizational stability by improving relationships

with stakeholders, strengthening internal control mechanisms, and reducing operational and managerial uncertainties.

In recent years, sustainability reporting and ESG performance have attracted considerable attention from investors, regulators, policymakers, and academic researchers. Companies are increasingly expected to disclose information regarding their environmental activities, social responsibilities, and governance structures. Such disclosures can promote accountability and strengthen corporate resilience, particularly under uncertain economic conditions. This issue is particularly important in emerging markets, including Iran, where economic fluctuations, financial constraints, and changing stakeholder expectations create additional challenges for businesses. Despite the growing importance of ESG sustainability, examining its relationship with corporate stressors remains an important research area. Understanding whether environmental sustainability and sustainability reporting in the social and corporate governance dimensions can influence corporate stressors may provide valuable insights into the role of sustainability practices in improving organizational stability and long-term competitiveness. Accordingly, the present study investigates the effect of environmental sustainability, social sustainability reporting, and corporate governance sustainability reporting on corporate stressors among companies listed on the Tehran Stock Exchange.

2. Hypotheses

Based on the theoretical foundations and research objectives, the following hypotheses are proposed:

H1: Environmental sustainability has an effect on the corporate stressors faced by companies.

H2: Social sustainability reporting has an effect on the corporate stressors faced by companies.

H3: Corporate governance sustainability reporting has an effect on the corporate stressors faced by companies.

3. Methods

This study is applied in terms of purpose and correlational in terms of research method. The statistical population consists of companies listed on the Tehran Stock Exchange, from which 196 companies were selected based on screening criteria and data availability. The research covers a ten-year period from 2014 to 2023 (1393–1402 in the Iranian calendar). The required financial and non-financial data were collected from companies' financial statements, annual reports, and related corporate disclosures.

In this study, corporate stressors are considered the dependent variable, while environmental sustainability, social sustainability reporting, and corporate governance sustainability reporting are the main independent variables. Furthermore, six control variables, including growth opportunities, financial leverage, firm size, liquidity, sales growth, and firm age, were incorporated into the research models to control for firm-specific characteristics and improve the explanatory power of the estimations.

Considering the panel data structure and the potential presence of heteroscedasticity and autocorrelation, the Generalized Least Squares (GLS) method was employed to estimate the research models and obtain more reliable statistical results.

4. Results

The empirical findings indicate that environmental sustainability has a negative and statistically significant effect on corporate stressors. This finding suggests that companies with stronger environmental performance tend to experience lower levels of organizational and operational pressures. Similarly, social sustainability reporting has a negative and significant relationship with corporate stressors, indicating that greater attention to employee welfare, customer satisfaction, social responsibility, and stakeholder relationships is associated with reduced corporate stressors.

Furthermore, the results demonstrate that corporate governance sustainability reporting has a negative and statistically significant effect on corporate stressors. This finding highlights the importance of transparency, accountability, effective supervision, and responsible managerial practices in reducing organizational pressures.

Among the control variables, growth opportunities exhibit a positive and statistically significant relationship with corporate stressors in several estimated models. This suggests that companies with greater growth opportunities may experience additional financial and operational pressures arising from expansion activities, investment requirements, and increased organizational complexity. In contrast, firm size, liquidity, sales growth, and firm age generally do not demonstrate statistically significant relationships with corporate stressors in most model estimations.

The explanatory power of the research models is relatively high, with an R^2 value of approximately 72.6 percent, indicating that the independent and control variables explain a substantial proportion of the variation in corporate stressors. Overall, the findings indicate that all three dimensions of ESG sustainability have statistically significant negative effects on corporate stressors.

5. Discussion and Conclusion

The findings of this study emphasize the importance of environmental sustainability, social sustainability reporting, and corporate governance sustainability reporting in reducing corporate stressors. Environmental sustainability can help companies manage environmental risks, improve resource efficiency, comply with environmental regulations, and reduce uncertainties arising from environmental responsibilities. Social sustainability reporting can strengthen relationships with employees, customers, and other stakeholders, thereby improving trust, employee motivation, customer loyalty, and organizational resilience. Moreover, corporate governance sustainability reporting can reduce agency problems, improve managerial accountability, strengthen internal oversight, and enhance the quality of corporate decision-making. These mechanisms can collectively contribute to reducing organizational pressures and improving corporate stability.

The positive and significant relationship between growth opportunities and corporate stressors in several models also suggests that pursuing growth and expansion may create additional financial and operational challenges for companies. Although growth opportunities can provide a basis for long-term development, they may simultaneously increase resource requirements, managerial complexity, and exposure to uncertainty. Therefore, companies need to balance their growth strategies with effective risk management and organizational capabilities.

The results contribute to the existing literature on corporate sustainability by extending the discussion beyond conventional financial performance and firm value to the role of ESG sustainability in mitigating corporate stressors. In particular, this study provides empirical evidence from an emerging capital market and highlights the importance of considering environmental, social, and corporate governance dimensions as complementary mechanisms for strengthening corporate resilience. The findings suggest that ESG practices should not be regarded merely as ethical commitments or disclosure activities; rather, they can function as strategic instruments for risk management, organizational stability, and long-term value creation.

From a practical perspective, corporate managers are encouraged to integrate ESG considerations into their strategic planning and organizational decision-making processes. Investors may also consider ESG performance when evaluating companies' exposure to organizational risks and their long-term stability. Furthermore, policymakers and regulatory institutions can promote sustainability reporting and establish more comprehensive ESG disclosure requirements to improve transparency and encourage responsible

corporate behavior. Overall, strengthening environmental, social, and corporate governance sustainability can help companies listed on the Tehran Stock Exchange manage corporate stressors more effectively, enhance stakeholder relationships, and achieve greater organizational resilience and sustainable competitiveness.

Keywords: Environmental Sustainability, Social Sustainability Reporting, Corporate Governance Sustainability Reporting, ESG, Corporate Stressors, Sustainability Reporting, Growth Opportunities, Tehran Stock Exchange, Generalized Least Squares (GLS).