Extended abstract

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Unveiling the Shadows: The Impact of Reputational Events on ESG Reporting in Transition Economies

In recent years, environmental, social, and governance (ESG) reporting has become a core element of corporate transparency and stakeholder engagement. Despite the development of various ESG frameworks and directives—such as GRI, SASB, and the EU's Non-Financial Reporting Directive (NFRD)—significant discrepancies in the quality and quantity of ESG disclosures persist. These inconsistencies are especially pronounced in transition economies, where regulatory environments may be weak or minimally enforced. This paper explores how negative media coverage of ESG controversies influences corporate ESG disclosure practices in such contexts, using Poland as a case study.

Building on signalling theory, agenda-setting theory, and the critical accounting framework, this research investigates whether companies respond to ESG-related reputational events by improving their reporting quality (a substantive response), increasing the volume of disclosures without enhancing their quality (a symbolic response), or maintaining the status quo (a defensive response). The central hypothesis is that media scrutiny serves as an external governance mechanism capable of compelling companies to alter their ESG narratives.

The empirical analysis employs a panel dataset comprising 160 publicly listed Polish companies between 2017 and 2022—a period coinciding with the initial implementation of the NFRD. ESG controversies are measured using variables from the RepRisk database, including the number of incidents, severity, reach, novelty, and international relevance. ESG reporting quality and quantity are derived through manual textual analysis of non-financial reports, applying a detailed checklist of 25 disclosure categories informed by Polish and international reporting standards. Metrics include the number of disclosure items (occurrence), disclosure volume (abundance), and a multi-dimensional quality index encompassing relevance, verifiability, clarity, comparability, and comprehensiveness.

The study reveals that while the number of media-reported ESG incidents is significantly associated with an increase in the quantity of disclosures (both in terms of items and volume), this does not always translate into improved disclosure quality. Severity of events, conversely, negatively affects disclosure quality, indicating that highly damaging controversies may prompt companies to retreat from substantive transparency or opt for symbolic disclosure strategies. The results suggest a differentiated corporate response to reputational threats, underscoring the nuanced role of media as both a watchdog and a reputational risk amplifier.

This research contributes to the literature by highlighting media's complementary role alongside regulation and standardization in shaping ESG transparency, particularly in countries with underdeveloped institutional environments. By uncovering how media coverage affects corporate reporting behavior, the paper enhances our understanding of the power dynamics and accountability mechanisms in non-financial reporting. The findings imply that media scrutiny, while not a panacea, can serve as a powerful catalyst for increased ESG transparency—provided it is supported by credible stakeholder pressure and a conducive regulatory context.

Keywords: ESG reporting, media coverage, reputational risk, non-financial disclosure, signalling theory, agenda-setting theory, greenwashing, Poland, transition economies.