**Inaugural Editorial**

**The role of finance, accounting and governance in sustainability and sustainable development**

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In the wake of the climate crisis, rising income inequality and poverty, the triple bottom line strategy that concentrate on social and environmental aspects along with profits emerges as a forefront discussion among academics, policymakers, and practitioners. The United Nations Sustainable Development Goals (SDGs) 2030 agenda make it even more obvious suggesting that firms should strike a balance between profit and purpose. As a result, the ongoing debate among practitioners, and academic contributions on sustainable development, have resulted in the persuasion of several global brands to integrate sustainable practices into their business operations. This has resulted in the creation of a positive impact on the environment and society at large.

It is, therefore, argued that in today’s business environment, the adaptation of the triple bottom line, seems to be idealistic in the business world. The Big Tech companies’ example is relevant here, who have shown it time and time again how to reap the financial benefits by committing to sustainable business practices (i.e., profit and purpose) and hence, the triple bottom line does not inherently value societal and environmental impact at the expense of financial profitability. In a recent study on consumer attitude towards green economy, Haller et al. (2022) stress that half of the consumers are willing to pay a premium for sustainable products. Likewise, Henderson (2020) stresses that it is possible to do the right thing and make money at the same time, and argues that there is a good reason to believe that solving the world's problems presents trillions of dollars’ worth of economic opportunity. All these points are encouraging for both researchers and policy makers. We, therefore, regard sustainable development as important aspect of the present time, which not only cost money, but also generate a lot of opportunities at the global stage. In line with this, Rezaee and Tuo (2019) report that quality disclosure about sustainability helps in enhancing the financial performance of organizations. There is also evidence that address issues around investors attitude towards sustainability reporting and argue in favour of bringing clear regulations for encouraging investors towards investing in sustainable ventures (Avramov, Cheng, Lioui, and Tarelli, 2021; Gantchev, Giannetti, and Li, 2024). In another research paper, Ng (2018) presents evidence that promotes the establishment of an effective and green financial system and argue for sustainability controls, assurance and compliance, as the three significantly important elements of that system, which again addresses issues surrounding regulatory aspects on sustainability reporting.

Similarly, Flammer (2021) regards the issue of green bonds as a signal towards organisational commitment to the environment and show that markets recognise this and react positively to information about the issuance of green bonds. Moreover, Brunen and Laubach (2022) document that individuals who support sustainable consumption prefer investing in sustainable portfolios, which is a positive development towards sustainability. Furthermore, while investigating firms’ investment in sustainable projects, Pastor, Stambaugh, and Taylor (2021) model sustainable investments in equilibrium. An outcome of their model is that sustainable portfolio investing generates positive social impact both by making firms greener, and by inducing more real investments by green firms.

However, Jia and Li (2020) regard, economic policy, political instability, and climate risk at the national level as the three sources of uncertainties, which negatively influence firms’ sustainability performance, and argue that reduction in such uncertainties significantly help in attaining the United Nations SDGs.

It is, therefore, well recognised in existing literature that sustainability and related initiatives are the significantly important aspects of global development, and due to its immense importance, it will be one of the main areas of research for many years (Rezaee, 2016).

In existing research on sustainability and related areas, scholars are, therefore, looking for a more effective financial model that could help in promoting sustainability and related initiatives in complex organisations. In this regard, Schoenmaker and Schramade (2019) made a proposition for a sustainable finance model, integrating social and economic factors with firm value, however, this is an area which is still underdeveloped and requires further explorations. Likewise, ESG research draws special attention and extant body of literature attempts to explore how firms strike a balance between ESG disclosure and financial goals (Fatemi et al. 2018). In this regard, Solomon and Maroun (2012) stress that integrated reporting brings ESG and economic factors into the heart of the governance model. However, Alkaraan et al. (2022) demonstrate how ESG is used to exploit technologies (i.e., Industry 4.0 technologies) to adapt to changing business environments. Based on these discussions, an important aspect that draws academic attention is the metrics for E, S, G separately or ESG as a whole in a single metrics for the measurement errors due to the fact that the available metrics are not highly correlated and often produce different empirical results. Thus, the issues around ESG metrics and measurement errors could be potential areas of future research.

In the past few years, global financial markets have witnessed a new wave of risk and material issues arising from the loss of biodiversity, the collapse of ecosystems and the ongoing era of species extinctions, such as bees and other pollinator populations around the world, which is creating material risks for the food industry globally (Atkins and Atkins, 2016). Accounting for biodiversity has been the subject of academic inquiry for some time (Jones and Solomon, 2013; Jones, 2014) and as a result, several frameworks for biodiversity reporting have been developed, such as the Biological Diversity Protocol, 2021. Similarly, public and private finance, institutional investment, banking and bond markets are seeking to develop ways of integrating biodiversity and species protection, and the preservation of ecosystems into their decision-making frameworks (Atkins and Atkins, 2019; Atkins and Macpherson, 2022).

We, therefore, argue that preventing further extinctions of flora and fauna is critical to ensuring the future functioning of healthy ecosystems around the world and the integration of species protection into financial markets is now acknowledged as a crucial global financial strategy. A form of ‘extinction governance’, or ecological governance, is now needed in organizations worldwide. In response to the fast-moving developments of biodiversity, ecosystems, and species extinctions, there is an urgent need for academic researchers to explore the new forms of finance and accounting for biodiversity, ecosystem, and extinction prevention in order to assess their impact on species and nature, and also to provide recommendations for improvements in policies and strategies.

There is also a spotlight discussion on the issues surrounding the nexus between financial institutions and climate change mitigation and adaptation. While financial institutions may not be direct contributors to climate change, the role of financial institutions in climate change are undeniable and hence, it is crucial that financial institutions lead the way in sustainable finance and green banking through climate change mitigation and adaptation. The creation of the Task Force on Climate-related Financial Disclosures (TCFD) by the Financial Stability Board (FSB) in 2015 sets up a milestone for reporting climate-related financial information. In this regard, Simsek et al. (2024) show that the quality corporate governance is the key driver for more climate-related information disclosure in banks.

We, therefore, regard the findings of current academic research and the debate among partitioners as a positive development towards sustainability and the attainment of the United Nations’ SDGs. In order to take the research in this area to another level, we have launched the *Journal of Sustainable Finance and Accounting* (JOSFA), which intends to publish original research on sustainable finance, accounting, governance, accountability, corporate ethics, and related areas. We regard research and scholarship as the two essential elements in debating and discussing issues surrounding the triple bottom line concept, especially entangling how firms should strike a balance between profit and purpose, and the role firms play in achieving the UN’s SDGs. In relation to this, the role of original research and scholarship related initiatives are intended to get published in JOSFA.

JOSFA will, therefore, join hands with the ongoing conversation about the triple bottom line by aligning SDGs through making steps towards helping in building up a sustainable and responsible business world. Although the road ahead is long and uncertain, it is important not to be disheartened and hence, JOSFA will make an effort as a proud partner for bringing a positive change towards sustainable development and climate change. There are four papers in the inaugural issue which are also related to either directly or indirectly to sustainability and the UN’s SDGs. We have briefly elaborated the major findings of the four papers below.

The first paper by Ongena (2024) conducts a literature review and tries to identify potential elements of commercial banks that trigger green growth. The study identifies bank size, ownership, depositors, nationality, and orientation as the salient dimensions of commercial banks for green growth. The second paper by Liu, Bernardi, and Stark (2024) explore the economic relevance of financial risk disclosures, attributable to climate change. By using analyst following as a measure of economic relevance, the study concludes that more disclosures of financial risk attributable to climate change are associated with higher levels of analyst followings in subsequent years and hence, such disclosures provide economically relevant information.

The third paper by Cumming, Saurabh, Rani, and Upadhyay (2024) explores the central themes of AI ethics and sustainability frameworks in declarative standards and statements published by various institutions. The study offers a thematic analysis of the literature on AI ethics-led sustainability frameworks using MAXQDA software and identifies common principles. The study shows that there are an established 28 AI ethics-led sustainability frameworks that agencies and groups have disseminated. The study also identifies 6 practical AI ethics toolkits that the authors have evaluated to translate common AI ethics-led sustainability framework recommendations to deploy AI ethics-led sustainability toolkits programmatically.

The fourth paper by Hasan Micale, and Rapaccioli (2024) investigate whether a firm’s exposure to climate change, as proxied by disclosures during quarterly earnings conference calls, provides forward-looking information to investors regarding the long-term association of stock prices with current earnings and the book values of equity. Following a critical regulatory mandate around the formation of the cap-and-trade program to reduce emissions related to climate change, firms’ climate change exposure decreases the association between current earnings and stock prices, while increasing the relevance of book values of equity. The study shows that these relationships, however, flip when the sentiment around climate change exposure is negative, suggesting that the risks related to climate change exposure provide forward-looking information to investors when they evaluate the ability of current earnings to predict firm values. Such a relationship is more robust for firms in the new economy and is sensitive to conservative accounting.

We sincerely hope that the efforts by JOSFA will receive support from researchers, policy makers and regulators, and that the research publications in our journal will help in the development of a sustainable platform, which will help in the smooth transition towards achieving the United Nations’ SDGs.

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