

ESG, MACROECONOMIC FUNDAMENTALS AND STOCK RETURNS: CORPORATE GOVERNANCE IMPLICATIONS FROM EU MARKETS

Cecilia CIOCÎRLAN^{a*}, Andreea STANCEA^b,
Maria-Cristina ZWAK-CANTORIU^c, Victor CIUCIUC^d

^{a), d)} National University of Political Studies and Public Administration, Faculty of Management, Bucharest, Romania

^{b)} National University of Political Studies and Public Administration, Faculty of Communication and Public Relations, Bucharest, Romania

^{c)} Bucharest University of Economic Studies, Faculty of Finance, Bucharest, Romania

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Abstract: This paper examines how Environmental, Social, and Governance (ESG) factors influence stock returns and economic performance in the EU. It delves into advanced economies, GIIPS (Greece, Ireland, Italy, Portugal, and Spain), and CEE (Central and Eastern Europe) countries. By analyzing data, the study highlights areas for improvement in the EU's ESG performance, such as resource use and social equity. Interestingly, the analysis finds that strong corporate governance, particularly in CEE, is linked to higher stock returns, suggesting the value of sound regulations. Conversely, environmental performance shows a negative correlation with returns in CEE, likely due to the region's historical dependence on heavy industry. Overall, this study emphasizes how ESG can guide investors towards companies promoting sustainable economic growth.

Key words: ESG; corporate governance; stock returns

JEL Classification: E0; F3; F2; H5; F6

* Corresponding author. E-mail address: cecilia.ciocirlan@outlook.com.

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