Chapter 1
Bridging the Gap:
Aligning ESG With Financial Disclosures for a Sustainable Global Trade System

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ABSTRACT

This study explores the integration of Environmental, Social, and Governance (ESG) criteria into financial disclosures within global trade systems, focusing on regulatory frameworks, technological innovations, and corporate practices. By examining the evolution of ESG adoption across diverse regions, the research highlights the challenges and opportunities in aligning ESG metrics with traditional financial reporting standards. Through a mixed-methods approach, the study synthesizes empirical data, case studies, and theoretical insights to explore the convergence of

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ESG and financial disclosures, emphasizing the pivotal role of innovation, policy harmonization, and global collaboration. Key findings underscore the growing global trend toward standardized ESG reporting, particularly on sustainable trade practices. The study offers actionable policy recommendations for governments, trade organizations, and corporations to bridge the gap between ESG reporting and financial disclosures, facilitating a more sustainable global trade ecosystem.

1. ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) AND FINANCIAL DISCLOSURES IN INTERNATIONAL TRADE

The emergence of Environmental, Social, and Governance (ESG) criteria has revolutionized international trade by redefining corporate performance metrics through a threefold framework that assesses ethical, environmental, and governance dimensions (Tang & Zhang, 2020). This framework is a benchmark for corporate responsibility and a key driver of sustainable trade systems grounded in sustainability approach, CSR, and governance studies (Rendtorff, 2023).

The theoretical bases of ESG in international trade are rooted in sustainability, values, and the "triple bottom line" theory, highlighting environmental, social, and financial accountability while aligning with social contract theory to support ethical business traditions that benefit all stakeholders above mere financial performance (Krahnen et al., 2023).

The ESG framework contains three interrelated dimensions: environmental sustainability, which concentrates on ecological effect and climate action; social responsibility, which manages diversity; fair labor and human rights; and governance integrity, which assures corporate accountability, transparency, and anti-corruption efforts (Kukreti et al., 2025). These measurements position firms as key drivers of sustainable, ethical, and trustworthy global trade systems (Sehajpal & Kaur, 2025).

The Contribution of Financial Disclosures Enabling Global Trade

Conventional financial disclosures, concentrated on economic performance through income reports, balance sheets, and cash flow reports, need to be more recognized for overlooking non-financial factors like social equity, environmental effect, and governance, limiting their relevance in addressing broader sustainability concerns in contemporary international trade dynamics (X. Liu, 2017).

Conventional financial disclosures, though necessary for evaluating direct business performance, lack standardized integration of ESG factors, limiting their capacity to address long-term risks from environmental, social, and governance collapses.

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