

Financial Risk Management and Sustainability

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In the last decades, the studies that analyze the links between corporate social responsibility and financial performance in developed countries show mixed and inconclusive results, so additional research is required [1–3]. Additionally, the appearance of new factors changes their relationship, making it more complex. In 2015, the introduction of the Sustainable Development Goals (SDGs) [4] brought a new scenario for the nexus between financial risk and sustainability, but the impact is not obvious. These new factors related to sustainability must be captured by an entity's risk management system, so they should be considered when managing financial risks. This financial risk management could take place in different scenarios: Either in an emerging economy or in a developed country and where the sustainability mandate comes from society or where it is imposed by a regulatory body. The financial risk management performed in these environments differs due to its particularities and the different risk sources they bring.

This Special Issue on “Financial Risk Management and Sustainability” aims to fulfill an important gap in the literature by exploring the relationship and the complex dynamics between financial risk management and sustainability.

Ten articles in this Special Issue analyze and explore different aspects of the relationship between financial risk management and sustainability. We classify the contributions into three main topics: Sustainability disclosures and risk management, sustainable development financing and sustainability and corporate governance.

The institutional pressure is increasing among organizations to set up risk management tools to understand sustainability risks within managerial and reporting practices [5]. Five papers in this Special Issue analyze and explore different aspects of this topic.

The first contribution by [6] analyzes the impact of Spanish financial institutions' risk profile on their contribution to the 2030 Agenda. Financial institutions play a significant role in ensuring financial inclusion and sustainable economic growth and usually incorporate environmental and social considerations into their risk management systems. The study shows that financial institutions with less capital risk and lower management efficiency usually make higher contributions to the SDGs. The study findings have important implications for shareholders, investors, and analysts, in the view that sustainability reporting is a vehicle that financial institutions use to express their commitment to the 2030 Agenda and to higher-quality corporate reporting. The next contribution by [7] evaluates sufficiency economy philosophy (SEP) performance through annual reports and voluntary sustainable development reports and examines the relationship between SEP performance and firm-specific risk of Thai listed companies from 2013 to 2018. The SEP is a business practice adopted in Thailand to overcome periods of crisis. The SEP bases its foundation on three core principles (moderation, reasonableness, self-immunity) and two underlying conditions (knowledge and morality). The outcome of practicing the SEP is to increase the flexibility to mitigate the impacts from economic, social, and environmental changes. The study aligned the Global Reporting Initiative (GRI) standards to the SEP elements to create a SEP scoring system. The results support the risk reduction hypothesis and thus



Citation: García-Benau, M.A.; Gambetta, N.; Sierra-García, L. Financial Risk Management and Sustainability. *Sustainability* **2021**, *13*, 8300. <https://doi.org/10.3390/su13158300>

Received: 18 July 2021

Accepted: 21 July 2021

Published: 25 July 2021

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practicing SEP reduced firm-specific risk. In the next article, [8] clarify the relation between an issuer's environmental; social; and corporate (ESG) performance and its bond default rate developing an ESG factors-embedded Logistic Regression model to empirically examine Chinese default bonds and outstanding industrial bonds from 2014 to 2019. Capturing determinants of bond default risks has aroused heated discussions ever since the "rigid payment" system collapsed in China. The results indicate that the bond default rate is positively correlated with the company's energy consumption and negatively correlated with its attention to social responsibilities and corporate governance, in addition to its financial performances. The contribution by [9] checked the performance of alternative estimation procedures of the implied equity duration as a measure of the exposure to interest rate risk of firms listed on a small stock market. This paper is focused on the measurement of interest rate risk of nonfinancial firms. The measurement is the initial step in risk management, which, in the context of financial risks, is expected to lead to better levels of enterprises' financial sustainability. They conclude that significant differences arise in the implied equity duration estimations when they consider industry-specific parameters instead of market parameters. This finding in a small stock market is in line with previous evidence found for the US stock market. Finally, the contribution by [10] investigates the bankruptcy-risk relationship at different stages of the corporate life cycle of Pakistani firms from 12 diverse industrial segments. Bankruptcy risk is a fundamental factor affecting the financial sustainability and smooth functioning of an enterprise. The results show that corporate risk-taking at the introduction stage yields superior financial performance in the future, while risk at the growth stage positively contributes to a firm's current performance. Moreover, bankruptcy risk at the mature stage is negatively associated with both current and future performance and risk-taking at the decline stage has significant negative implications for firm performance. The study findings imply that managers synchronize a firm's risk exposure with the corresponding life cycle stage to avoid going bankrupt.

The coordination between the public sector and the private sector is vital to focus the financing efforts on the SDGs in countries lagging to reduce existing financing gaps [11].

The first contribution to this section by [12] conducted an empirical analysis of characteristics of successful offerings to assess the distribution of overfunding in equity crowdfunding in the UK and Spain. Crowdfunding constitutes one of the financial solutions to achieve sustainable development goals by fostering innovation and economic growth. The results show that the effects of key campaign features (equity, voting rights, and social capital) are stronger and more significant at the 75th and 90th quantiles for the overfunding level and the number of investors. Furthermore, they found significant differences across countries, which persist along the distributions of overfunding. The next contribution by [13] investigates the influence of corporate social responsibility (CSR) on the maturity mismatch of investment and financing from the perspective of both polluting and non-polluting companies. The results reveal that CSR performance can aggravate the maturity mismatch of investment and financing, and the effect can be more serious in the polluting companies. The study shows that companies should not only perform their CSR to maintain a balanced economic and ecological development but also pay attention to the aggravation of the maturity mismatch of investment and financing. Finally, [14] investigate the relationship between the resources of Foreign Venture Capital firms FVCFs and their syndication intensity. Syndication or co-investment is a potent way of pooling resources among peer Venture Capital (VC) firms. This is even more vital for FVCFs when investing in destinations that are geographically distant from their countries of origin. The results show that FVCFs with a greater proportion of investment executives with prior founding experience in India and those with lower proportions of professionals of Indian origin demonstrate lower syndication intensity.

SDGs are setting a new global target on sustainability, for which corporates are expected to play an important role through sustainable practices [15].

The first contribution in this section by [16] theoretically explores the impact of the incentive preferences of executives on CSR decisions. Using a large sample of China-listed

firms over 2007–2017, the results show that executives with short-term incentives tend to implement technical CSR strategy, while those with long-term incentives tend to implement institutional CSR strategy. The findings enrich the understanding of the relationship between the executives and CSR decisions in the earnings pressure context and further help to perfect the institutional design in China's listed companies. Finally, [17] explores how CSR moderates the relationship between corporate governance and firms' financial performance in a sample of 3400 Shanghai Stock Exchange listed firms, based on yearly observations from 2009 to 2018. The results show that the presence of female directors on the board is associated with improved firms' performance and that CSR moderates this relation. The findings also show that foreign institutional investors positively influenced firms' financial performance and that CSR moderates the relation between foreign institutional shareholders and the firm's financial performance. The results help to better understand the nexus among corporate governance, firms' performance, and corporate social responsibility.

All articles in this Special Issue contribute to a better understanding of the relationship between risk management and sustainability from different perspectives. The main findings of the studies help to identify the risk profile of financial institutions that make higher contributions to the SDGs, they show that sustainability practices help to mitigate the impacts from economic, social, and environmental changes. They provide evidence that bond default rate is related not only to financial performance but also to social responsibilities and corporate governance and that managers synchronize a firm's risk exposure with the corresponding life cycle stage to avoid going bankrupt. Additionally, the results reveal that CSR performance can aggravate the maturity mismatch of investment and financing, and finally, the findings help to better understand the nexus among corporate governance, firms' performance, and CSR.

This Special Issue represents an important contribution to risk management and sustainability literature and will stimulate future research on the role of the SDGs in financial risk management and sustainability dynamics, on the impact of social and environmental factors throughout the financial risk management process: Identification, measurement and assessment, mitigation and control, review and report, on the effect of social and environmental information on financial disclosures, on the link between financial information audit and nonfinancial information assurance and on responsible management.

Conflicts of Interest: The authors declare no conflict of interest.

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