



Abstract

Environmental, Social, and Governance (ESG) considerations are playing an increasingly influential role in evaluating corporate transparency and long-term planning. As ESG becomes integrated into financial reporting, auditors—as independent assurance providers—must assess a broader set of disclosures when determining audit complexity and potential risks. However, existing studies often overlook how ESG materiality differs across industries and how that may influence audit pricing strategies. This research explores the association between ESG performance and audit fees and investigates whether this relationship is influenced by the degree of ESG relevance within industries. Industry sensitivity to ESG is measured by counting the number of financially material topics identified per sector, based on the SASB (Sustainability Accounting Standards Board) Materiality Map. A fixed-effects panel regression is conducted using 308 firm-year observations from publicly traded firms in 13 EU countries between 2014 and 2023. The findings indicate a positive and significant association between ESG performance and audit fees. This suggests that greater ESG transparency leads auditors to intensify audit procedures due to elevated complexity and risk, resulting in higher audit charges. The second hypothesis anticipated a stronger relationship in high ESG-sensitive sectors; however, the results reveal the opposite. While industry ESG sensitivity does act as a moderator, the association between ESG performance and audit fees is weaker in industries with high material ESG issues. A robustness test using a split-sample analysis also confirms that the significant relationship is only present in firms operating in low ESG-sensitive industries. These findings highlight that the relevance and risk implications of ESG disclosures are shaped by how material ESG issues are within each industry context.

Keywords: ESG Performance, Audit Fees, Industry Sensitivity, SASB Materiality Map