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Corporate Governance Mechanisms and Sustainability Reporting of Listed Firms in a Developing Country: A Review of Literature

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ABSTRACT

This study explored the impact of corporate governance mechanisms on firms' sustainability reporting within the context of a developing country. Focusing on four key dimensions of corporate governance—board director independence, board diversity, ownership structure, and board size—this research aims to elucidate how these factors influence firms' commitments to sustainability reporting. The paper employed a qualitative and desk top approach to explore extant literature on the subject matter. The findings obtained from the various literature examined indicate that board director independence and board diversity are associated with enhanced sustainability reporting, indicating that these governance mechanisms play a pivotal role in fostering transparency and accountability in environmental, social, and governance (ESG) matters. The results for ownership structure and board size show a more mixed outcome, showing that governance factors affect sustainability practices in more complicated ways for listed firms in a developing country. This study contributes to the extant literature by revealing the relationship between corporate governance and sustainability reporting in a developing country context, offering valuable insights for policymakers, corporate leaders, and stakeholders aiming to promote sustainable development. The paper recommends that to promote sustainability reporting and practices, regulatory bodies and firms in developing countries need to adopt policies that encourage the recruitment of board members from diverse backgrounds, including gender, ethnicity, age, and professional experience as this diversity can bring a wider range of perspectives and innovative approaches to sustainability challenges.

Keywords: Corporate Governance Mechanisms, Board Director Independence, Board Diversity, Ownership Structure, Board Size, Sustainability Reporting

INTRODUCTION

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community. Effective corporate governance provides a framework that, among other things, aims to ensure transparency, fairness, and accountability in a company's relationship with all its stakeholders. The ultimate goal is to foster a corporate culture of integrity, ethical behaviour, and respect for the broader societal impact of business activities.

Corporate governance mechanisms include a set of processes, customs, policies, laws, and institutions that affect how a corporation is directed, administered, or controlled. These mechanisms are particularly important in developing countries where regulatory environments might be less stringent, and the risk of corporate malfeasance could be higher. Key corporate governance mechanisms include board structure and composition; ownership structure; audit committee and external auditing. The effectiveness of the board of directors in overseeing company management is crucial. A diverse and independent board is more likely to enhance decision-making processes and ensure that the company's strategic direction aligns with sustainability goals (Jensen & Meckling, 1976). Ownership concentration and the presence of large shareholders can influence a firm's commitment to sustainability practices. Large shareholders may have the power to press for sustainability initiatives (Shleifer &Vishny, 1997). The existence of a robust audit committee and the use of reputable external auditors can ensure the integrity of financial and non-financial reporting, including sustainability reporting

(DeZoort et al., 2002). In Nigeria, regulatory frameworks set by bodies like the Nigerian Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) play a critical role in guiding corporate governance and sustainability reporting practices. These frameworks often mandate certain levels of disclosure and may promote transparency and accountability in how firms report their sustainability activities (Amaeshi et al., 2016). However, the effectiveness of these regulations in promoting comprehensive sustainability reporting can vary, depending on their enforcement and the willingness of firms to go beyond compliance.

The composition of a firm's board of directors does influence its approach to sustainability reporting. Boards with a diversity of expertise, including members with environmental and social governance (ESG) knowledge, are more likely to prioritize sustainability issues (Ofoegbu et al., 2018). Furthermore, the presence of independent directors enhances the credibility and objectivity of sustainability reports, as they are perceived to be less influenced by management's interests. The ownership structure of listed firms in Nigeria can also impact their sustainability reporting practices. Firms with a concentrated ownership structure, where a few shareholders hold a significant portion of the shares, might exhibit different reporting behaviors compared to those with a more dispersed ownership structure. State-owned enterprises and family-owned businesses, for example, may face different pressures and incentives regarding sustainability reporting (Okoye et al., 2017). Engaging with stakeholders is crucial for firms in understanding the sustainability issues that are most relevant and material to their operations and reporting on them effectively. Nigerian firms that actively engage with stakeholders, including investors, customers, and communities, are likely to produce sustainability reports that are more responsive to stakeholder concerns and expectations (Adams, 2020). This engagement can also help firms in identifying areas for improvement in their sustainability practices.

Sustainability reporting, on the other hand, is the practice of disclosing information about the environmental, social, and governance (ESG) impacts of a company's activities. This form of reporting goes beyond traditional financial reporting to include non-financial factors that are increasingly recognized as significant determinants of a company's long-term success and resilience. Sustainability reports often cover areas such as a company's carbon footprint, labor practices, community engagement, and corporate governance practices. Similarly, Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. In developing countries, sustainability reporting helps listed firms to improve corporate image and stakeholder trust; comply with regulatory requirements; and attract investment. By reporting on sustainability, firms are likely to enhance their reputation and build trust with stakeholders, which is essential for long-term success (Porter and Kramer, 2006). Developing countries are increasingly introducing regulations that require firms to disclose their ESG practices. Sustainability reporting helps firms comply with these regulations (KPMG, 2020). Investors are increasingly considering ESG factors in their investment decisions. Firms that demonstrate a commitment to sustainability can attract investment from these socially responsible investors (SRI) (Scholtens, 2006).

The relationship between corporate governance and sustainability reporting is increasingly acknowledged as crucial for long-term corporate success and risk management. Good corporate governance practices are seen as a foundation for credible sustainability reporting. This is because governance structures and processes shape the decision-making that ultimately drives a company's sustainability performance. Moreover, sustainability reporting, when integrated into corporate governance frameworks, enhances transparency and accountability, helping boards of directors and management teams to monitor performance, manage risks, and make informed strategic decisions that align with sustainable development goals. Much more, the integration of corporate governance mechanisms with sustainability reporting is critical for the development of sustainable business practices. Effective corporate governance can ensure that sustainability is embedded in the strategic decision-making process of the firm, leading to more comprehensive and meaningful sustainability reporting (Aguilera et al., 2006).

Corporate governance mechanisms play a crucial role in shaping the sustainability reporting practices of listed firms, especially in developing countries like Nigeria. In Nigeria, the evolving landscape of corporate governance mechanisms plays a critical role in shaping how companies report on sustainability. The effectiveness of corporate governance mechanisms, including board diversity, ownership structure, and regulatory oversight, do play significant influence on a company's commitment to and transparency in sustainability reporting in developed countries. However, this cannot be said of developing countries, specifically in the context of Nigeria.

There are several frameworks and standards for sustainability reporting, such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD), among others. These frameworks guide companies in disclosing material information in a manner that is comparable and actionable for investors, customers, and other stakeholders.

LITERATURE REVIEW

Conceptual Review

Corporate Governance Mechanisms

Corporate governance mechanisms are systems, principles, and processes by which companies are directed and controlled. They provide a framework for attaining a company's objectives and encompass practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. These mechanisms are designed to ensure that stakeholders' interests are protected and that the company operates efficiently and ethically. Corporate governance mechanisms are segmented into, namely, internal corporate governance mechanisms and external corporate governance mechanisms. Internal corporate governance mechanisms mainly include board of directors, audit committee and management structures. The board oversees the company's management to ensure that shareholder interests are protected. For instance, a diverse and independent board of directors ensures that the company's management acts in the best interests of its shareholders and stakeholders.

A specialized committee oversees the financial reporting process, internal controls, and audit processes. Effective management structures help in aligning the interests of managers with those of the shareholders. External corporate governance mechanisms include but not limited to market for corporate control, regulatory framework and institutional factors. The threat of takeover can discipline management. If a company is underperforming, it may become a takeover target. Laws and regulations set the standards for corporate governance. For instance, the Sarbanes-Oxley Act of 2002 as a regulatory framework in the United States was enacted to protect investors from fraudulent financial reporting by corporations. Large investors like pension funds and insurance companies can exert pressure on company management to improve performance.

Sustainability Reporting

Sustainability reporting in developing countries is a vital practice for promoting sustainable development. Sustainability reporting by firms in developing countries has emerged as a critical tool for assessing and communicating their environmental, social, and governance (ESG) performance to stakeholders. This practice aligns with the global push towards sustainable development, aiming to balance economic growth with environmental protection and social equity. In developing countries, sustainability reporting is both a challenge and an opportunity, given the unique economic, environmental, and social contexts. Sustainability reporting involves disclosing information on the economic, environmental, and social impacts of a company's activities. It provides stakeholders with a comprehensive view of the company's sustainability performance and its contributions to sustainable development goals (SDGs).

Sustainability reporting in developing countries is crucial for several reasons. First, it promotes transparency and accountability, enabling stakeholders to make informed decisions based on a company's ESG performance (Kolk, 2010). Second, it helps firms identify and manage sustainability-related risks and opportunities, potentially leading to improved operational efficiencies and reduced costs (Schaltegger & Csutora, 2012). Additionally, sustainability reporting can enhance a firm's reputation and competitiveness in the global market, attracting investors and customers who prioritize sustainability (Ioannou & Serafeim, 2017).

Firms in developing countries face several challenges in sustainability reporting. Lack of awareness and understanding of sustainability issues, limited access to resources and expertise, and inadequate regulatory

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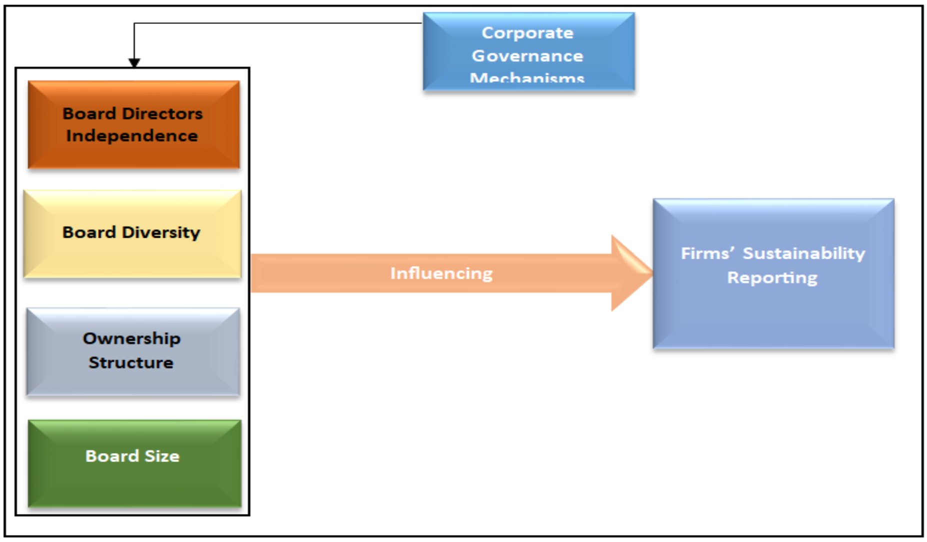
frameworks can hinder the adoption of sustainability reporting practices (Visser, 2008). Moreover, the focus on short-term economic gains over long-term sustainability goals can also impede the commitment to sustainability reporting (Khan, Muttakin, & Siddiqui, 2013).

Conceptual Framework

Figure 1: Corporate Governance Mechanisms and Firms' Sustainability Reporting



Source: Researchers' Conceptual Framework Design, 2024

Independent directors are those who have no material relationship with the company, other than their directorship. This independence allows them to make unbiased decisions and oversee management without conflicts of interest, which is crucial for effective governance and ethical oversight. Board director independence plays a significant role in enhancing firms' sustainability reporting for several reasons. Firstly, independent directors enhance the credibility and quality of sustainability reporting. Because they are not involved in the day-to-day operations, they provide an objective perspective on the firm's sustainability practices and performance. Independent directors are more likely to push for transparency and accountability in reporting, as they are tasked with safeguarding shareholders' interests, including long-term sustainability goals (Dhaliwal et al., 2011).

Secondly, independent directors may have a positive influence on the firm's commitment to environmental, social, and governance (ESG) issues. Their oversight can ensure that the company not only reports on these issues but also actively works towards improving its environmental, social and governance (ESG) performance. This is because independent directors are often selected for their expertise and experience, which can include knowledge of sustainability practices and trends (Ioannou & Serafeim, 2012). Moreover, the presence of independent directors tends to lead to better risk management related to sustainability issues. They can help identify and mitigate risks related to environmental and social matters, ensuring that the firm's sustainability reporting reflects a true and fair view of its performance and risks (Amran, Bin, & Hassan, 2014).

Board diversity, which encompasses a range of attributes including gender, ethnicity, age, and professional experience, can significantly influence a firm's sustainability reporting practices. Diverse boards are more likely to bring a variety of perspectives and innovative solutions to complex sustainability challenges. This diversity in thought and experience can lead to more comprehensive and effective sustainability strategies and reporting practices (Bear, Rahman, & Post, 2010). Boards that reflect a broader range of societal segments are better positioned to understand and integrate the expectations and needs of a diverse group of stakeholders into the company's sustainability reporting. This alignment with stakeholder expectations can improve the quality and relevance of sustainability reports (Bernardi, Bosco, & Columb, 2009).

Firms with diverse boards may enjoy a higher level of legitimacy and trust among investors, customers, and other stakeholders. This can enhance the credibility of their sustainability reports, making the firm more attractive to socially responsible investors and customers interested in sustainable products and services (Rao and Tilt, 2016). Boards with diverse backgrounds are more likely to be aware of and responsive to global sustainability standards and reporting frameworks. Their varied experiences can help ensure that the firm's sustainability reporting meets or exceeds regulatory requirements and industry best practices, thereby reducing legal risks and enhancing competitive advantage (Post, Rahman, & Rubow, 2011). Diverse boards can contribute to better risk management regarding environmental, social, and governance (ESG) issues. Their varied perspectives can aid in identifying and addressing sustainability risks before they escalate, ensuring that sustainability reports accurately reflect the firm's risk exposure and mitigation strategies (Adams & Ferreira, 2009).

Ownership plays a crucial role in influencing firms' sustainability reporting practices due to its impact on corporate governance, strategic priorities, and stakeholder engagement. Different types of owners have varying motivations, incentives, and pressures that can shape the extent and focus of sustainability reporting. Institutional owners, such as pension funds and mutual funds, often have longer investment horizons and a keen interest in the sustainable performance of their investments. They are increasingly demanding comprehensive sustainability disclosures to assess environmental, social, and governance (ESG) risks and opportunities. As a result, companies with significant institutional ownership may be more likely to engage in sustainability reporting (Dhaliwal et al., 2011).

State-owned enterprises may face political and social pressures to lead by example in terms of sustainability practices. Governments, aiming to address societal concerns and promote sustainable development, might mandate state-owned companies to adopt extensive sustainability reporting practices (Zhou, Simnett, and Green, 2017). Family Ownership: Family owners, with their long-term orientation and legacy concerns, may prioritize sustainability as part of their values and reputation management. This can lead to more proactive sustainability reporting, especially in areas directly related to the family's interests or to mitigating risks that could affect the company's long-term viability (Berrone, Cruz, and Gomez-Mejia, 2012). Foreign owners, especially those from regions with stringent sustainability standards, may bring different expectations regarding ESG disclosure. This can lead to enhanced sustainability reporting practices in host countries, particularly in emerging markets where local regulations might be less demanding (Ioannou and Serafeim, 2012).

Shareholders who actively engage with companies on sustainability issues can significantly influence reporting practices. Activist investors use their equity stakes to pressure companies into adopting more transparent and comprehensive sustainability reporting (Goranova and Ryan, 2014). Highly concentrated ownership might lead to less emphasis on sustainability reporting if the controlling owners do not prioritize ESG issues. In contrast, dispersed ownership might result in more extensive sustainability reporting due to the need to satisfy a broader range of stakeholders (Jensen and Meckling, 1976).

Similarly, the influence of board size on firms' sustainability reporting is a nuanced topic that integrates corporate governance structures with environmental, social, and governance (ESG) performance. Research indicates that board size can have significant implications for a firm's sustainability practices and reporting, with various theories and empirical studies suggesting different aspects of this relationship.

A larger board size is often associated with more diverse expertise and perspectives, which can enhance the quality and scope of sustainability reporting (Post, Rahman, & Rubow, 2011). Diverse boards may have members with environmental or social responsibility expertise, thereby increasing the likelihood of more comprehensive sustainability strategies and disclosure. However, there is also an argument that too large a board can leads to difficulties in coordination and decision-making, potentially diluting the focus on sustainability issues (Jensen, 1993).

Conversely, smaller boards are sometimes considered to be more cohesive and effective in decision-making (Yermack, 1996). This could theoretically lead to more focused and strategic sustainability initiatives but might limit the breadth of expertise and perspectives necessary for comprehensive sustainability reporting. Empirical evidence provides mixed results. For example, Liao, Luo, & Tang (2015) found that firms with larger boards are more likely to engage in corporate social responsibility (CSR) activities, suggesting a positive relationship between board size and sustainability efforts. Meanwhile, other studies indicate an optimal board size range that balances the benefits of diverse perspectives with the need for effective governance and strategic focus (Dalton et al., 1999).

Theoretical Framework

The relationship between corporate governance mechanisms and firms' sustainability has been extensively studied in the academic literature. Various theories explain how governance structures can influence a firm's approach to sustainability and its performance in this area. In the context of this paper, agency theory, stakeholder theory, resources dependency theory, institutional theory and legitimacy theory respectively to examine the nexus between corporate governance mechanisms and sustainability reporting of listed firms. Agency theory suggests that there is an inherent conflict of interest between the management (agents) and the shareholders (principals) of a company. Good corporate governance mechanisms can mitigate these conflicts by aligning the interests of management with those of shareholders, thereby promoting decisions that also consider sustainability as a long-term value creator (Jensen & Meckling, 1976). Unlike agency theory, which focuses on the relationship between shareholders and managers, stakeholder theory argues that companies should consider the interests of all stakeholders, including employees, customers, suppliers, and the community, in their decision-making processes. Firms with governance structures that engage stakeholders tend to have better sustainability practices because they incorporate a wider range of perspectives and interests (Freeman, 1984).

Resource dependence theory posits that the key to organizational success lies in the ability to acquire and manage resources, which often requires interacting with external entities. Corporate governance mechanisms that facilitate the integration of diverse stakeholder perspectives can enhance a firm's access to critical resources, including those needed to implement sustainable practices (Pfeffer & Salancik, 1978). Institutional theory emphasizes the role of societal norms, rules, and regulations in shaping organizational behavior. Firms are influenced by the institutional environment, including regulatory standards, industry norms, and cultural expectations regarding sustainability. Governance mechanisms that ensure compliance and proactiveness in relation to these external pressures can enhance a firm's sustainability performance (DiMaggio & Powell, 1983). According to legitimacy theory, firms seek to ensure that their actions are perceived as legitimate by society. Governance mechanisms that prioritize transparency, accountability, and ethical behavior can help firms gain and maintain legitimacy, especially in the context of sustainability, where societal expectations are high (Suchman, 1995).

Empirical Review

Edegbue et al. (2022) investigates the influence of board diversity on sustainability reporting in Nigerian manufacturing firms. While they find positive effects of gender diversity and non-executive directors, the study suggests that multiple directorships held by board members can be negatively associated with sustainability reporting, potentially due to divided attention and competing priorities. Agu et al. (2023) examines the impact of board characteristics on sustainability reporting quality in Nigeria. They find that CEO duality (holding both CEO and chair positions) is negatively associated with reporting quality, suggesting it might hinder independent oversight and focus on long-term sustainability goals.

Atilgan et al. (2016) analyzes the link between board composition and sustainability reporting in Turkish firms. They find that larger board size is negatively associated with sustainability, possibly due to coordination challenges and less focused discussions on sustainability. Adeyemi et al., (2021) investigate corporate board diversity and sustainability reporting of selected listed manufacturing firms in Nigeria. The study found a positive relationship between the proportion of women directors, non-executive directors, and board diversity on the extent of sustainability reporting in Nigerian manufacturing firms.

Aifuwa (2021) examines board diversity and sustainability reporting with evidence from industrial goods firms in Nigeria. Although the study found no association with age and education diversity, it revealed a positive link between gender diversity and the comprehensiveness of sustainability reports in listed industrial goods firms in Nigeria. Chatterjee and Samuel, 2022) sought to assess how board diversity really drive sustainability reporting with evidence from Indian firms. The study, analyzing Indian firms, suggests that diverse boards are more likely to engage in comprehensive sustainability reporting, potentially due to enhanced stakeholder orientation and pressure.

Uchegbulam et al., (2023) examined the effect of board diversity on sustainability reporting in Nigeria beverage manufacturing firms. While focusing on the beverage industry in Nigeria, the study did not find significant evidence for a direct relationship between board diversity (measured by gender, age, and educational background) and the extent of sustainability reporting. Odebode & Oshodin, 2023) investigated diversity-of-board and environmental reporting of listed manufacturing companies in Nigeria, considering the moderating effect of audit committee. The research suggests no direct impact of board diversity on environmental reporting. However, it highlights the potential moderating role of audit committees in strengthening this relationship.

Nature of Sustainability Reporting of Listed Firms in a Developing Country

Sustainability reporting by listed firms in developing countries is an evolving practice that reflects a commitment to integrate environmental, social, and governance (ESG) issues into corporate strategy and communication with stakeholders. It involves the disclosure of non-financial information, focusing on a company's impact and initiatives towards sustainable development. The nature of such reporting can vary widely depending on the country's regulatory environment, cultural factors, and market pressures.

Sustainability reporting in developing countries is increasingly recognized as a vital tool for attracting investment, enhancing transparency, and promoting corporate social responsibility (CSR). Despite challenges such as limited resources and regulatory frameworks, firms are gradually adopting more comprehensive reporting practices (Khan, 2020). In many developing countries, sustainability reporting is transitioning from a voluntary to a mandatory practice. Governments and regulatory bodies are implementing policies and guidelines to encourage or require listed firms to disclose their sustainability practices (Singh et al., 2018).

Investors and consumers in developing countries are becoming more aware of sustainability issues, driving demand for greater transparency. International investors, in particular, often require detailed ESG disclosures as part of their investment criteria (Ofori and Hinson, 2019). The Global Reporting Initiative (GRI) is the most widely used sustainability reporting framework among firms in developing countries. However, the adoption of other frameworks such as the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) is on the rise (Chen and Bouvain, 2009).

Challenges and Opportunities Associated with Sustainability Reporting among Listed Firms in Developing Countries

Sustainability reporting for listed firms in developing countries presents a unique set of challenges and opportunities. These challenges significantly impact how companies engage with sustainability issues, report on their environmental, social, and governance (ESG) activities, and how these efforts are perceived by stakeholders (Amran et al., 2011). In developing countries, there might be a lower level of awareness and understanding about sustainability issues and reporting standards among both firms and stakeholders (Khan, 2020). This can lead to underreporting or misreporting of sustainability activities. Developing countries often have less stringent regulatory frameworks for sustainability reporting, which can result in inconsistent and non-comparable reports (Owuor, 2021).

The absence of strict guidelines may lead to firms not prioritizing sustainability reporting. Resources such as financial, human, and technological, are crucial for effective sustainability reporting. Listed firms in developing countries might face challenges in accessing these resources, which can hinder the quality and depth of their sustainability reports (Gupta, 2019). Stakeholders in developing countries might have different priorities, with a stronger focus on economic development over environmental and social issues. This can create a challenge for firms trying to balance stakeholder expectations with sustainability reporting (Ahmed & Alam, 2018).

There are several opportunities associated with sustainability reporting among listed firms in developing countries. For example, firms that excel in sustainability reporting can differentiate themselves in the market, attracting investors and customers looking to support sustainable practices (Bhatia & Tuli, 2020). This can create a competitive advantage. Effective sustainability reporting can open doors to international markets, as global investors and consumers increasingly demand sustainable products and practices (Singh, 2021). This can lead to new opportunities for growth and expansion.

Focusing on sustainability do lead to operational improvements, as firms identify ways to reduce waste, improve energy efficiency, and optimize resource use. This not only supports sustainability but also lead to cost savings (Kumar & Khanna, 2020). Companies that are transparent about their sustainability efforts and report effectively easily enhance their reputation and brand value, leading to increased customer loyalty and stakeholder trust (Rahman & Post, 2019).

CONCLUSION AND RECOMMENDATIONS

This study embarked on an exploration of the impact of corporate governance mechanisms on firms' sustainability reporting of listed firms within the context of a developing country, with focus on Nigeria. By scrutinizing the roles played by board director independence, board diversity, ownership structure, and board size, the main aim of the paper was to uncover how these factors influence the extent and quality of sustainability reporting among firms. Some pertinent findings were obtained from the literature review. Firstly, board director independence emerged as a critical component in enhancing the quality of sustainability reporting. Independent directors appear to bring a level of scrutiny and objectivity that fosters a more transparent and comprehensive approach to sustainability issues. This suggests that firms with a higher proportion of independent directors might be more committed to addressing environmental, social, and governance (ESG) concerns, reflecting a broader trend towards accountability and sustainability in corporate governance.

Secondly, literature reviewed revealed that board diversity—encompassing gender, ethnicity, and expertise—plays a significant role in promoting a sustainability agenda. Diverse boards are presumably better equipped to understand and integrate a wide range of stakeholder interests into their sustainability reporting, leading to more inclusive and representative reports. This finding underscores the importance of cultivating diversity within corporate boards as a means of enhancing sustainability practices.

Regarding ownership structure, the study found that firms with more concentrated ownership tend to exhibit lower levels of sustainability reporting. This might be attributed to the prioritization of short-term financial gains over long-term sustainability goals among dominant shareholders. Conversely, firms with a more dispersed ownership structure seem to adopt a broader view of corporate responsibility, possibly due to the varied interests and pressures from a wider range of stakeholders. The impact of board size on sustainability reporting was found to be nuanced. While larger boards may have more resources and expertise to devote to sustainability issues, they might also face challenges related to coordination and decision-making efficiency. Our findings suggest that there is an optimal board size that balances these considerations, facilitating effective governance and sustainability reporting.

This study's implications extend to policymakers, corporate leaders, and stakeholders, emphasizing the need for governance structures that promote transparency, accountability, and sustainability. However, it is not without limitations. The context of a developing country presents unique challenges and opportunities that may not be fully generalizable to other settings. Further, the dynamic nature of corporate governance and sustainability practices necessitates ongoing research. The paper recommends that to promote sustainability reporting and practices, regulatory bodies and firms in developing countries need to adopt policies that encourage the recruitment of board members from diverse backgrounds, including gender, ethnicity, age, and professional experience as this diversity can bring a wider range of perspectives and innovative approaches to sustainability challenges.

It is also recommendation that firms should consider restructuring their ownership to include shareholders who are committed to long-term sustainability goals. This could include strategic investors with a track record in sustainability, such as socially responsible investment funds. Regarding board size, regulatory guidelines could be developed to identify an optimal range that balances effective governance and decision-making efficiency, with a focus on sustainability. Future studies should consider longitudinal analyses to capture the evolving nature

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of corporate governance and sustainability reporting. Additionally, exploring the role of regulatory frameworks, cultural factors, and technological advancements could provide deeper insights into how firms can better integrate sustainability into their corporate governance practices.

METHODOLOGICAL LIMITATIONS OF THE STUDY

While a literature-based, qualitative review provides valuable theoretical and conceptual insights, this methodological orientation is not without its limitations—particularly in the context of an emerging research area such as corporate governance and sustainability reporting in developing countries like Nigeria. The following limitations underscore the methodological constraints and potential gaps inherent in this paper:

Lack of Empirical Generalizability: The absence of primary data collection limits the empirical generalizability of the findings. The review draws primarily from secondary sources, which may reflect the peculiarities of specific geographical, institutional, or sectoral contexts not directly transferable to the broader population of listed firms in developing countries. This weakens the ability to extrapolate or validate the conclusions through practical, firm-level data or real-world stakeholder engagement.

Potential for Literature Selection Bias: A major limitation of qualitative literature reviews is the inherent risk of selection bias. The inclusion of studies may be influenced—consciously or unconsciously—by the researcher's theoretical preferences, availability of resources, or language barriers. Consequently, important but less accessible studies, especially those published in local journals or non-English outlets, might be excluded, leading to a skewed or incomplete understanding of the subject matter.

Over-Reliance on Published Studies: This approach relies heavily on the availability and quality of existing literature. In developing countries, research on corporate governance and sustainability reporting may be limited, outdated, or methodologically weak. This could result in an overrepresentation of findings from more developed or institutionalized economies, thereby diminishing the contextual relevance of the review to the local or regional realities of the subject country.

Limited Ability to Establish Causal Relationships: The literature-based qualitative method is inherently interpretative and descriptive, often focusing on patterns, trends, and theoretical propositions rather than statistically verifiable relationships. As such, this approach is limited in its ability to establish causality between corporate governance mechanisms and sustainability reporting practices, which may be crucial for policy formulation or managerial action.

Subjectivity in Interpretation and Thematic Analysis: The analysis of themes, patterns, and conceptual linkages is subject to the researcher's interpretive lens. Unlike quantitative meta-analysis, where patterns are statistically validated, qualitative reviews may suffer from subjective biases, especially in framing theoretical perspectives or drawing inferences from diverse empirical settings. This raise concerns over reproducibility and transparency of the analytical process.

Inadequate Reflection of Dynamic Contextual Variables: Sustainability reporting is shaped by dynamic regulatory, socio-political, and economic contexts that evolve rapidly—especially in developing countries. A static literature review may not adequately capture ongoing changes in legal frameworks, corporate norms, or stakeholder expectations. This temporal disconnect may limit the relevance of the findings for current or future policy and practice.

Neglect of Stakeholder Voices and Ground-Level Realities: By not engaging with key stakeholders—such as firm managers, regulators, auditors, or civil society—the review misses out on rich, contextual, and experiential insights. Qualitative interviews, focus groups, or case studies could have added depth to the understanding of how corporate governance practices are operationalized and perceived in sustainability contexts.

Suggestions for Future Studies

Empirical Validation through Mixed Methods Studies: Future research should adopt mixed methods approaches that combine quantitative and qualitative data to empirically validate the relationships between specific corporate governance mechanisms such as board independence, ownership structure, audit committees and sustainability reporting. This would help bridge the gap between theory and practice, offering both statistical rigor and contextual insights within developing country contexts.

Sector-Specific Comparative Analysis: Further studies should explore how corporate governance influences sustainability reporting across different sectors—such as financial services, manufacturing, oil and gas, and telecommunications. Such disaggregated analysis would reveal sectoral peculiarities and regulatory sensitivities that may affect disclosure patterns and governance priorities.

Longitudinal and Panel Data Investigations: To understand the dynamic nature of corporate governance and sustainability practices, future research should employ longitudinal or panel data methodologies. This would help track changes over time and assess the long-term impact of governance reforms, regulatory shifts, or sustainability disclosure mandates on firm performance and stakeholder trust.

Stakeholder-Centric Qualitative Case Studies: Building on the conceptual gaps identified, in-depth case studies involving interviews with key stakeholders—such as board members, regulators, sustainability officers, investors, and civil society actors—can provide a ground-level understanding of the drivers, challenges, and contextual barriers to effective sustainability reporting.

Comparative Cross-Country or Regional Studies: Future research could undertake comparative studies between developing countries, or between developing and developed nations, to examine how institutional quality, regulatory frameworks, and governance maturity influence sustainability reporting practices. This would enhance the generalizability and global relevance of the discourse on governance and sustainability.

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