

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORTING OF LISTED FIRMS IN NIGERIA

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Abstract

Organizations are charged with the responsibility of providing relevant information on the operation of their business, but as the traditional financial reporting is deficient in total reporting arose the need for sustainability reporting. Hence, this study investigates the effect of corporate governance mechanisms on sustainability reporting among listed firms in Nigeria. The specific objectives are to: (i) examine the influence of board diversity on sustainability reporting; (ii) evaluate the impact of board size on sustainability disclosure; (iii) determine the effect of board independence on the extent of sustainability practices and (iv) assess the influence of audit committee composition on Environmental, Social, Governance (ESG) reporting; and examine the collective role of corporate governance mechanisms in enhancing sustainability disclosure. The study adopted an ex- post facto research design, and secondary data were collected from 50 listed firms that provide non-financial services across various sectors in the Nigerian Exchange Group (NGX) over a ten-year period (2015–2024). Data were analysed using panel regression analysis. The findings reveal that board diversity significantly improves sustainability reporting, board size positively influences disclosure practices, and board independence contributes meaningfully to transparency. Similarly, audit committee composition was found to significantly enhance ESG disclosures. The study concludes that effective corporate governance serves as a catalyst for improved sustainability disclosure of Nigerian firms. It recommends a gender diverse board, well experience independent directors, separation of chairman role from CEO to strengthen the quality of sustainability reporting. Stakeholder engagement and employee training for effective understanding and implementation of sustainability reporting.

Keywords: Board Characteristics, Corporate Governance, ESG, Nigerian Exchange Group (NGX), Sustainability Reporting.

Introduction

Sustainability reporting has evolved into a fundamental component of corporate transparency and accountability within the global business landscape. It involves the disclosure of an organization's environmental, social, and governance (ESG) performance, allowing stakeholders to evaluate its non-financial impacts and commitment to sustainable development (Global Reporting Initiative, 2020). For listed

firms, this practice is increasingly driven by investor expectations, international reporting frameworks, and the imperative to manage environmental and social risks.

In Nigeria, the practice of sustainability reporting is at a developmental stage. While multinational corporations and leading financial institutions have pioneered its adoption, many locally listed firms are gradually aligning their disclosures with standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

The Nigerian Exchange Group (NGX) guidelines encourage companies to report on issues such as climate change, diversity and inclusion, community engagement, ethical labor practices, and corporate governance. A significant regulatory push came from the Nigerian Exchange Group (NGX) through its Sustainability Disclosure Guidelines (2021) and the Financial Reporting Council of Nigeria's (FRCN) Nigerian Code of Corporate Governance (NCCG, 2018). These frameworks aim to standardize reporting and embed governance best practices under a "comply or explain" regime (Adegbite, 2015). Yet, compliance has been largely voluntary, and uptake has been slow. Many Nigerian firms either fail to produce sustainability reports altogether or publish them in a superficial, non-standardized manner. Reports often emphasize philanthropic gestures or basic CSR activities, while failing to address material ESG indicators such as carbon emissions, supply chain ethics, social equity, and corporate governance risks. This weak approach reduces the credibility, comparability, and decision-usefulness of ESG disclosures.

A critical issue lies in the absence of institutional capacity and technical expertise required to support meaningful sustainability reporting. Many companies suffer lack of awareness and insufficient internal systems which limit their knowledge to collect, analyze, and verify non-financial data. Without accurate and reliable ESG data, sustainability reports become anecdotal or symbolic—intended to satisfy external expectations rather than reflect internal strategic alignment with sustainable development goals. This has contributed to stakeholder skepticism and weakened investor confidence in the ESG credentials of Nigerian firms. Another persistent challenge is that mandatory sustainability reporting standards exist in some regions but their global adoption and enforcement remain inconsistent. While the NGX and Financial Reporting Council of Nigeria (FRCN) have issued guidelines, the voluntary nature of compliance and limited regulatory enforcement reduce the effectiveness of these frameworks. Without legal compulsion or clear penalties for non-compliance, many firms remain reluctant to fully integrate sustainability into their reporting and business models.

Despite the guidelines issued, a significant implementation gap persists. Studies indicate that many Nigerian listed firms exhibit superficial compliance with governance codes, characterized by weak board independence, ineffective risk oversight, and tokenistic adoption of sustainability reporting (Okike, 2007; Uwuigbe et al., 2018). ESG disclosures, where they exist, are often fragmented, focusing on philanthropic corporate social responsibility (CSR) rather than material issues like carbon emissions or supply chain ethics (Ezeagba et al., 2017). The integration of corporate governance and sustainability reporting is essential for the sustainable development of Nigeria's capital market and economy. While progress has been made, particularly with the issuance of national codes and reporting guidelines, more work is needed to strengthen implementation, build capacity, and enhance transparency among listed firms. Moving forward, Nigerian firms must align with global standards, embrace ESG principles, and view governance and sustainability as strategic imperatives rather than mere compliance requirements.

Corporate governance and sustainability reporting are increasingly recognized as crucial components of effective corporate management and long-term business success. Despite the enactment of the Nigerian Code of Corporate Governance (NCCG, 2018) and the introduction of the Nigerian Exchange (NGX) Sustainability Disclosure Guidelines, many firms still exhibit poor governance practices and limited sustainability disclosures (Adegbite, 2012; Uwuigbe et al., 2018), largely due to weak regulatory enforcement and inadequate institutional frameworks.

The interconnection between corporate governance and sustainability reporting is well-established theoretically, however there remains a significant gap in the empirical evidence which still shows mixed reactions particularly in developing countries such as Nigeria. Strong governance structures are posited to enable effective sustainability oversight, while credible ESG reporting can enhance reputation and mitigate risk (Amao & Amaeshi, 2008). However, empirical evidence on how specific governance mechanisms such as board composition and committee structures drive sustainability disclosure within the unique institutional context of Nigeria has provided mixed evidence. This study, therefore, seeks to bridge this gap by investigating the impact of key corporate governance attributes on the sustainability reporting practices of listed Nigerian firms.

Literature Review

Sustainability Reporting in Nigeria

Sustainability reporting has emerged globally as a critical tool for promoting transparency, accountability, and long-term value creation in corporate governance. With growing stakeholder demands for disclosure on environmental, social, and governance (ESG) performance, organizations worldwide are under increasing pressure to go beyond financial reporting and provide comprehensive sustainability information (KPMG, 2022; GRI, 2020). In Nigeria, however, sustainability reporting is still at a developmental stage, characterized by fragmented adoption, weak institutional support, and inconsistent reporting practices (Uwuigbe et al., 2018; Ezeagba et al., 2017).

Although interest in sustainability reporting is gradually rising, significant disparities remain across sectors. Multinational corporations, financial institutions, and firms with international partnerships tend to demonstrate stronger ESG disclosure practices, while many indigenous companies lag behind (Adegbe & Adeniji, 2020; Uwuigbe & Uadiale, 2011). Stakeholder pressures—particularly from foreign investors, regulatory agencies, and civil society—have contributed to growing awareness of ESG issues (Olayinka, 2021; Nwaiwu & Oluka, 2018). However, actual reporting practices often fall short of stakeholder expectations, resulting in a credibility gap.

The Global Reporting Initiative (GRI) has emerged as the most widely adopted sustainability reporting framework among Nigerian firms. Its comprehensive guidelines provide a standardized method for disclosing ESG impacts, enabling comparability across jurisdictions (GRI, 2020). However, adoption is often selective and strategic. Companies may report only on favorable indicators while omitting disclosures that could portray them negatively (Uwuigbe et al., 2018; Appah & Emeh, 2013). This form of “greenwashing” undermines the purpose of sustainability reporting and creates mistrust among stakeholders (Amaeshi et al., 2016; Ihugba & Osuji, 2011).

A central barrier to the widespread adoption of sustainability reporting in Nigeria is the absence of a binding regulatory framework. Unlike financial disclosures mandated by the Companies and Allied Matters Act (CAMA) and monitored by the Financial Reporting Council of Nigeria (FRCN), ESG disclosures are largely voluntary (Ezeagba et al., 2017; Uadiale & Fagbemi, 2012). This regulatory vacuum results in limited accountability, as companies face no legal repercussions for inadequate or misleading sustainability reports. Akinpelu et al. (2013) argue that voluntary disclosure regimes, particularly in developing countries, often lead to symbolic compliance without substantive change.

Moreover, the lack of technical expertise within firms impedes the quality of sustainability reporting. Many Nigerian companies lack in-house sustainability teams or trained professionals capable of measuring ESG indicators accurately (Adegbe & Adeniji, 2020; Nwaiwu & Oluka, 2018). This leads to data quality issues, poor indicator selection, and overreliance on external consultants who may lack contextual understanding of the firm’s operations (Okoye & Ezejiiofor, 2013). Additionally, limited awareness among board members and top management often results in treating sustainability as a peripheral issue rather than a strategic imperative (Obalola et al., 2020).

In recent years, there have been institutional efforts to address these challenges. The Nigerian Exchange Group (NGX), formerly the Nigerian Stock Exchange, has taken a leadership role in advancing ESG reporting. In 2019, it introduced the NGX Sustainability Disclosure Guidelines, encouraging listed companies to align their reporting with global frameworks such as the GRI, the United Nations Global

Compact, and the Sustainable Development Goals (NGX, 2019; Adegbite et al., 2020). These guidelines aim to harmonize reporting practices and provide companies with tools to enhance transparency.

At the policy level, the Nigerian government has shown increasing commitment to sustainability. In 2024, it announced plans to mandate eco-friendly reporting standards within four years, requiring firms to disclose climate-related risks, energy usage, and environmental practices (Reuters, 2024). This development aligns with broader international trends toward mandatory ESG disclosures, as seen in the EU's Corporate Sustainability Reporting Directive (CSRD) and the U.S. SEC's climate-related risk disclosure proposal (World Economic Forum, 2022).

Despite these positive steps, stakeholder trust in sustainability reports remains low. Studies show that many reports are viewed as public relations exercises rather than credible tools of accountability (Amaeshi et al., 2016; Okike, 2007). The absence of third-party assurance, lack of verification processes, and minimal stakeholder engagement further erode confidence in the validity of disclosed information (KPMG, 2022; Ihugba & Osuji, 2011).

To improve sustainability reporting in Nigeria, a multi-dimensional approach is needed. First, regulators such as the FRCN and SEC Nigeria should introduce mandatory ESG disclosure standards with clearly defined metrics, penalties for non-compliance, and assurance mechanisms. In this study ESG was proxied with governance mechanism namely board diversity, board size, audit committee composition and board independence. Second, capacity-building initiatives—such as training programs for sustainability officers, auditors, and board members—must be intensified (Uwuigbe et al., 2018). Third, companies should be incentivized to integrate ESG considerations into corporate strategy, risk management, and performance evaluation (Obalola et al., 2020; Adegbite, 2012). Finally, the institutionalization of independent assurance and stakeholder dialogue can significantly enhance the trust and relevance of sustainability disclosure. While sustainability reporting in Nigeria is gaining traction, its development remains constrained by weak regulatory backing, limited expertise, and trust deficits. The adoption of international frameworks such as the GRI, along with policy reforms and institutional advocacy, lays the groundwork for progress. However, meaningful advancement will require coordinated efforts by corporate leaders, regulators, investors, and civil society to embed sustainability at the core of Nigerian corporate governance.

Corporate Governance Landscape

Corporate governance in Nigeria has undergone significant transformation over the past two decades, particularly due to regulatory reforms and increasing global pressure for transparency, accountability, and stakeholder engagement (Adegbite, 2012; Ogbechie & Koufopoulos, 2020). A landmark reform was the introduction of the Nigerian Code of Corporate Governance (NCCG) 2018, which formalized corporate governance structures and practices across sectors. Issued by the Financial Reporting Council of Nigeria (FRCN), the code promotes accountability, ethical leadership, risk management, and long-term value creation (FRCN, 2018; SEC Nigeria, 2019).

Despite the comprehensive nature of the NCCG, implementation has remained a key challenge. Studies such as Olayemi and Adebayo (2021) highlight a gap between the policy's intent and actual practice, attributed to structural inefficiencies, poor enforcement, and socio-cultural constraints. For instance, board composition—one of the cornerstones of effective governance—continues to reflect entrenched practices of insider dominance and cronyism (Ogbechie et al., 2017).

The NCCG 2018 prescribes that boards should be composed of a balanced mix of executive, non-executive, and independent directors with diverse skills, gender, and experience. However, empirical evidence shows that many Nigerian companies still struggle to meet these criteria (Apinega, 2020; Uwuigbe et al., 2018). For example, insider control remains widespread, undermining board independence and reducing oversight effectiveness (Kajola, 2008; Obigbemi et al., 2016). Apinega (2020) reports that in many Nigerian listed firms, supposed independent directors often have personal or historical ties to management, rendering them ineffective in their oversight roles.

Independence is not merely a legal designation but a functional attribute critical to ensuring objectivity and strategic scrutiny (DCSL Corporate Services, 2019). Studies by Ntim and Soobaroyen (2013) and Adegbite (2015) argue that without genuinely independent directors, boards become passive and reactive, unable to challenge executive decisions or promote accountability.

Board effectiveness is another area attracting increasing scholarly focus. The NCCG mandates annual evaluations, the creation of audit, risk, and remuneration committees, and regular director training. However, compliance is inconsistent, particularly among SMEs and family-owned firms (Obalola et al., 2020; Okike, 2007). As noted by Ogbechie and Koufopoulos (2020), many boards are characterized by limited technical competence, inadequate succession planning, and infrequent performance reviews factors that hinder strategic oversight and heighten governance risks.

Enforcement mechanisms are similarly weak. While the Securities and Exchange Commission (SEC) and the FRCN are responsible for governance oversight, their limited capacity, budgetary constraints, and political interference impede robust monitoring (Uwuigbe et al., 2021; OECD, 2023). The phenomenon of “box-ticking compliance” is prevalent, where firms focus on form over substance, reporting compliance without genuine adherence (Akinpelu et al., 2013; Ofoegbu & Alonge, 2016).

Despite these limitations, sound corporate governance practices have demonstrated positive impacts on firm performance, investor confidence, and sustainability. Olayinka (2021) finds a statistically significant link between board diversity and ESG disclosure quality, echoing global trends reported by the World Economic Forum (2022) and KPMG (2023). Effective governance enhances transparency, encourages ethical conduct, and aligns corporate strategies with global sustainability goals, particularly critical as Nigeria seeks to integrate ESG metrics into reporting by 2027 (Reuters, 2024; NSE, 2023).

The academic literature offers further support. Hillman, Cannella, and Paetzold (2000) stress that board composition influences strategic guidance, risk oversight, and organizational legitimacy. The resource dependence theory asserts that directors offer access to resources and networks vital to firm survival (Pfeffer & Salancik, 1978). In Nigeria, Adegbite (2015) and Ogbechie et al. (2017) argue that competent and diverse boards correlate positively with transparency, accountability, and stakeholder trust.

Board size is a related factor. While larger boards may increase diversity, they can also slow decision-making and create coordination issues (Yermack, 1996). Conversely, smaller boards may lack a broad skill base. Uwuigbe et al. (2018) found that optimal board size varies by industry, with heavily regulated sectors such as banking benefitting from slightly larger boards.

The balance between executive and non-executive directors is essential for agency conflict mitigation. NCCG recommends that a majority of board members be non-executive, with a significant portion being independent (FRCN, 2018). This is consistent with agency theory’s emphasis on monitoring mechanisms to protect shareholders (Jensen & Meckling, 1976). However, firms continue to struggle with attracting and retaining truly independent directors due to a limited talent pool and the influence of familial or political networks (Okike, 2007; Adegbite et al., 2013).

Gender diversity is another growing focus. Numerous studies—including Bear, Rahman, and Post (2010); Terjesen et al. (2009); and Abubakar (2021)—confirm that gender-diverse boards promote ethical decision-making and broaden stakeholder representation. Yet, female board representation in Nigeria remains below global averages, with less than 15% female representation on average (Abubakar, 2021; IFC, 2022). Institutional efforts such as those by the Nigerian Stock Exchange (NSE) aim to address this imbalance, but progress remains slow.

Moreover, directors with international experience and academic diversity enhance governance outcomes. Olayiwola (2011) emphasizes that globally exposed board members foster the adoption of international

standards, including integrated and sustainability reporting, which is increasingly relevant in Nigeria's global business engagements.

Nonetheless, practical challenges persist. Political interference, lack of transparency in director appointments, and tokenism continue to limit progress (Adegbite, 2012; Ogbechie & Koufopoulos, 2020). Many firms prioritize loyalty over competence, undermining the professionalization of boards. While the NCCG 2018 offers a robust foundation for corporate governance in Nigeria, realization of its goals depends heavily on practical enforcement and cultural transformation. Tackling issues related to board independence, diversity, and effectiveness, along with improving regulatory oversight, is critical to deepening governance outcomes. Training programs, succession planning, and independent audits combined with institutional commitment are vital to bridging the gap between policy and practice in Nigeria's evolving corporate governance landscape

Board Characteristics and Sustainability Disclosure

Board characteristics play a crucial role in shaping corporate sustainability reporting (SR) practices. Key board attributes such as size, independence, gender diversity, expertise, tenure, and frequency of board meetings significantly influence the quality, transparency, and comprehensiveness of environmental, social, and governance (ESG) disclosures. These structural and functional board features are essential for effective strategic oversight, including the implementation of sustainability-oriented policies and communication with stakeholders (Michelon & Parbonetti, 2012; Rao & Tilt, 2016).

Board Size: Board size is one of the most extensively studied variables in governance literature due to its implications for decision-making and oversight capacity. Larger boards tend to bring a more diverse range of skills, experiences, and networks, which can enhance sustainability awareness and reporting quality (Esa & Ghazali, 2012; Al-Shaer & Zaman, 2016). In the Nigerian context, Olayinka (2021) found a statistically significant relationship between board size and the level of non-financial disclosure among listed firms, suggesting that more extensive boards are better equipped to handle the complexity of sustainability reporting. Similarly, Uwuigbe et al. (2018) support this view, indicating that large boards facilitate improved monitoring and accountability. However, this relationship may be non-linear; overly large boards can suffer from coordination problems and diminished efficiency (Jizi et al., 2014; Yermack, 1996).

Board Independence: Board independence, typically measured by the proportion of non-executive or independent directors, is a fundamental mechanism for mitigating agency conflicts and enhancing board oversight. Independent directors are presumed to act objectively and prioritize broader stakeholder interests, thereby promoting transparency in SR (Jensen & Meckling, 1976; Hussain et al., 2018). Empirical studies in Nigeria have affirmed this positive relationship. Uwuigbe & Olusanmi (2012) found that board independence significantly influences sustainability disclosure practices among Nigerian firms. This finding is consistent with global research, including Michelin & Parbonetti (2012), who documented similar patterns among European companies. Independent directors often act as catalysts for embedding sustainability into corporate strategy due to their fiduciary responsibilities and external accountability.

Board Diversity: Gender diversity on boards is increasingly linked to improved ethical sensitivity, stakeholder orientation, and social accountability—all of which are foundational to sustainability. Female board members tend to advocate for inclusive policies and are more likely to support robust ESG disclosures (Bear et al., 2010; Terjesen, Sealy, & Singh, 2009). In Nigeria, Olayinka (2021) reported that gender-diverse boards are associated with more extensive environmental and social reporting. Abubakar (2021) corroborates these findings, arguing that the presence of women on Nigerian corporate boards enhances board deliberations and encourages socially responsible behavior. Globally, Rao and Tilt (2016) found that female directors are more inclined toward sustainability integration, suggesting that gender diversity fosters a culture of transparency and responsiveness.

Audit Committee Composition: An audit committee with a strong presence of independent and financially literate members enhances the monitoring of financial *and* non-financial information flows, thereby supporting the integrity of ESG disclosures (Adediran et al., 2024).

Despite growing academic interest, empirical evidence in Nigeria remains limited and sometimes inconsistent. While several studies support the positive influence of board characteristics on SR, contextual variables such as firm size, ownership concentration, sectoral regulations, and political affiliations may moderate these relationships (Oba & Fodio, 2013; Nwaiwu & Oluka, 2018). More longitudinal and sector-specific research is needed to refine these insights and guide policy interventions.

Theoretical Review

Agency Theory

Agency Theory, as proposed by Jensen and Meckling (1976), posits that modern corporations are characterized by a separation of ownership and control, where shareholders (principals) delegate authority to directors and managers (agents) to make decisions on their behalf. However, because agents may have personal interests that conflict with those of the principals, this relationship can give rise to agency problems such as information asymmetry, moral hazard, and managerial opportunism. The core objective of corporate governance, according to this theory, is to design effective monitoring mechanisms that align the interests of managers with those of shareholders. Such alignment can be achieved through the key governance components of board size, board diversity, board independence, and audit committee composition which enhance decision making quality and overall monitoring capacity.

In the Nigerian context, agency problems are exacerbated by weak institutional frameworks, concentrated ownership structures, limited shareholder activism, and opaque board practices (Adegbite, 2015; Okike, 2007). These challenges make sustainability reporting vulnerable to manipulation or neglect, particularly when such disclosures do not result in immediate financial returns. However, agency theory suggests that sound governance practices—especially those that enhance board independence and transparency—can curb these tendencies.

One key agency mechanism is the inclusion of independent non-executive directors on the board. These directors are expected to provide objective oversight and challenge management decisions, thereby improving accountability and disclosure. In Nigeria, regulatory provisions such as the Nigerian Code of Corporate Governance (NCCG, 2018) and the Companies and Allied Matters Act (CAMA) mandate the presence of independent directors on boards of public companies. Okafor and Ogbonna (2023) empirically demonstrated that firms with higher proportions of independent directors are significantly more likely to produce comprehensive sustainability reports. These directors, unencumbered by internal loyalties, are better positioned to insist on the inclusion of relevant ESG information in corporate disclosures.

Furthermore, agency theory aligns with the importance of audit committees and board subcommittees such as risk and sustainability committees. These structures enhance board monitoring and information flow, thus minimizing agency costs. Uwuigbe et al. (2018) found that Nigerian firms with strong board oversight and separation of powers—such as the non-duality of the CEO and board chair roles—tended to issue more detailed ESG reports. In this regard, sustainability reporting serves a dual purpose: it provides external transparency to reduce information asymmetry, and it reinforces internal controls to monitor executive behavior.

However, the application of agency theory to sustainability reporting has limitations. Critics argue that agency theory focuses predominantly on financial accountability and often fails to explain non-financial behavior, such as social or environmental responsibility, unless these are directly linked to shareholder returns (Roberts, 2004). Despite this limitation, agency theory remains relevant in Nigeria's context, where many firms adopt sustainability disclosures as a strategic response to governance failures, reputational risks, and shareholder demands for transparency.

In this study, agency theory provides the analytical framework for examining how board independence, composition, and structure influence sustainability reporting. The theory assumes that more effective governance mechanisms—particularly those that reduce agency conflicts—will lead to higher-quality sustainability disclosures. Thus, firms with stronger governance systems are expected to engage more actively in ESG reporting as part of their efforts to signal integrity and enhance shareholder confidence.

Stakeholder Theory

Stakeholder Theory, developed by Freeman (1984), challenges the traditional shareholder-centric model by positing that corporations have ethical and strategic obligations to a broad range of stakeholders. These include not only investors but also employees, customers, suppliers, regulators, community members, and civil society organizations. According to this theory, the survival and success of a business depend on its ability to balance and satisfy the often-competing interests of these groups.

In the Nigerian corporate landscape, stakeholder theory is especially relevant due to widespread socio-economic inequality, environmental degradation, and increasing public scrutiny of corporate behavior. Companies are no longer evaluated solely on their profitability but also on their social license to operate i.e., the extent to which they address societal concerns and environmental responsibilities. Ibrahim and Olaniyan (2023) highlight how firms in Nigeria's oil and gas sector, for instance, have faced intense stakeholder pressure to improve environmental reporting in response to community protests, legal actions, and reputational crises. These pressures have driven many companies to integrate sustainability reporting as a strategic response to regain legitimacy and stakeholder trust.

Stakeholder theory also provides a compelling explanation for the increasing adoption of global reporting standards like the Global Reporting Initiative (GRI), Sustainable Development Goals (SDGs), and, more recently, frameworks by the International Sustainability Standards Board (ISSB). These reporting frameworks enable firms to demonstrate accountability to a broader set of stakeholders by disclosing not only financial performance but also social and environmental impacts. Adegoke and Oduola (2024) found that Nigerian firms with diverse and stakeholder-responsive boards particularly those with female directors, environmental experts, or representatives of affected communities tended to produce more detailed and credible ESG reports. Such board compositions allow for broader perspectives in decision-making and foster sensitivity to external stakeholder expectations.

Importantly, stakeholder theory also considers reputational capital as a critical resource. Firms that are perceived as socially responsible and environmentally conscious often enjoy better relationships with investors, regulators, and consumers. This reputational advantage can translate into long-term financial and strategic benefits. Amaeshi et al. (2006) emphasized that in developing economies like Nigeria, where institutional frameworks are still evolving, stakeholder expectations often act as informal regulatory mechanisms. Firms that ignore these expectations risk social backlash, regulatory intervention, and reduced investor confidence.

Moreover, stakeholder theory underscores the importance of dialogue and engagement. Sustainability reporting is not merely a compliance exercise but a communication tool that helps firms build trust and legitimacy. It facilitates two-way communication between corporations and their stakeholders, enabling firms to understand and respond to societal concerns. This is particularly important in Nigeria, where civil society and media are increasingly vocal about issues such as corruption, gender inequality, environmental destruction, and poor working conditions (Ibrahim & Olaniyan, 2023).

In applying stakeholder theory to this study, the assumption is that the diversity, inclusiveness, and stakeholder orientation of boards influence how seriously firms take sustainability reporting. Theories of social performance are better understood as complementary rather than in isolation, as their combined application offers a more holistic analytical framework. Accordingly, the adoption of these theories enhances the ability of this study to achieve its objectives. Whereas stakeholder theory emphasizes the need to address the interests of a broad range of stakeholders. Agency theory therefore highlight external drivers of

accountability, legitimacy, and ethical conduct in corporate governance practices. The study therefore anchors on Agency and Stakeholders theory.

Empirical Review

A growing body of literature supports the critical role of board independence in enhancing sustainability performance, financial integrity, and disclosure practices in Nigeria. For instance, Ogunsola et al. (2024) found that board independence positively moderates the relationship between environmental and governance sustainability disclosures and firm value in non-financial firms listed on the Nigerian Exchange. Their findings suggest that independent directors serve as catalysts for ESG alignment and value creation. Similarly, Orji-Solomon and Umar (2024) explored board independence and intellectual capital disclosure among Nigerian conglomerates and concluded that firms with higher levels of board independence report significantly more comprehensive non-financial disclosures, including innovation capacity and stakeholder engagement metrics. This reinforces earlier studies by Uwuigbe and Olusanmi (2012); Oba and Fodio (2013), which associated independent boards with improved CSR reporting and ethical conduct in Nigerian firms.

In the extractive industries, Bello et al. (2024) analyzed board independence and financial reporting quality within Nigeria's oil and gas sector. The study revealed that a greater presence of independent directors correlated with enhanced financial disclosure credibility, reducing earnings management and increasing audit committee effectiveness. This aligns with international research by Chen et al. (2016); Michelon and Parbonetti (2012), who found a positive relationship between board independence and sustainability performance in both developed and emerging markets.

Despite these empirical efforts, there is still limited research on how combined governance mechanism of board diversity, board size, board independence and audit committee structure affect sustainability reporting in Nigeria focusing on governance dimension alone. Based on the mixed results from previous studies and theoretical framework the following hypotheses are formulated:

H₁: Board diversity has a significant positive relationship with sustainability reporting.

H₂: Board size has a significant positive impact on sustainability reporting.

H₃: Board independence is positively associated with the level of sustainability reporting.

H₄: Audit committee composition significantly and positively influences sustainability reporting.

Methodology

Research Design

This study employed an ex-post facto research design, suitable for examining causal relationships from observed historical data without direct manipulation of variables. A quantitative approach using panel data analysis was adopted.

Population and Sample

The population consisted of all 104 non-financial companies listed on the NGX as of December 2024. Financial firms were excluded due to distinct regulatory regimes. A purposive sampling technique was used to select 50 firms from the non-financial sectors of Agriculture, Conglomerate, Construction, Consumer Goods, Health Care, ICT, Industrial Goods, Natural Resources, Oil and Gas and Services, that had published consistent annual reports for the ten-year period from 2015 to 2024, ensuring data availability.

Data Sources and Variables

The study relied entirely on secondary data extracted from the annual reports, sustainability reports, and financial statements of the sampled firms.

Dependent Variable: Sustainability Reporting (SUSREP) was measured using a disclosure index based on the Global Reporting Initiative Sustainability Reporting Guideline and criteria for Economic, Social/Environmental and Governance indicators as captured in GRI standards on 50 disclosure items in the annual report and financial statement of quoted non-financial firms in Nigeria. For disclosure a mark of 1 was given and 0 score for non-disclosure.

Independent Variables: Board Diversity (BDIV): Proportion of female directors on the board; Board Size (BSIZE): Total number of directors; Board Independence (BIND): Proportion of independent non-executive directors; Audit Committee Composition (ACC): Proportion of independent members on the audit committee.

Control Variables: Firm Size (log of total assets), Leverage (debt-to-asset ratio), and Profitability (Return on Assets) were included to account for firm-specific characteristics.

Model Specification

$$SUSREP_{it} = \beta_0 + \beta_1BDIV_{it} + \beta_2BSIZE_{it} + \beta_3BIND_{it} + \beta_4ACC_{it} + \beta_5FSIZE_{it} + \beta_6LEVG_{it} + \beta_7ROA_{it} + \epsilon_{it}$$

Where *i* denotes firm, *t* denotes year, β_0 is the intercept, β_1 - β_7 are coefficients, and ϵ is the error term.

The model was estimated using panel regression analysis. This became necessary due to the procedure and nature of data collected. Panel regression analysis are employed where cross-sectional units are observed over a period of time as it is obtained in this study.

Results

Table 1 below presents the descriptive statistics. The mean Sustainability Reporting Disclosure Index (SRDI) score was 12.56 (SD = 3.24), indicating moderate disclosure levels with considerable variation across firms. The average board had approximately 10 members, with 62.4% independence, suggests that a majority of board members are non-executive and this implies that firms are likely to have structures that support transparency and accountability, which can positively influence sustainability disclosure. And 22.5% gender diversity which represents female representative on the board and as past studies suggests that gender-diverse boards tend to promote more comprehensive disclosures. This low-level diversity implies why sustainability reporting remains only moderate.

Table 1

Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
SRDI	12.56	3.24	5	19
Board Size	9.80	2.05	5	15
Board Independence (%)	62.4	14.8	30	92
Gender Diversity (%)	22.5	10.3	5	50
Audit Committee Size	5.10	1.12	3	7

Source: Researcher’s Computation, 2026

The table 2 shows that all corporate governance variables were statistically significant predictors of sustainability reporting as indicated in the p-value <0.05.

Table 2

Variable	Coefficient (β)	Std. Error	t-Statistic	p-Value
Constant	5.614	1.482	3.79	0.000
Board Size	0.384	0.112	3.43	0.001
Board Independence	0.072	0.028	2.57	0.012
Board Diversity	0.098	0.042	2.33	0.021
Audit Committee Size	0.213	0.088	2.42	0.017

Source: Researcher’s computation, 2026

R-squared = 0.64

Adjusted R-squared = 0.61

F-statistic = 21.3, $p < 0.001$

Regression Equation:

$$SU = 5.614 + 0.384(\text{Board Size}) + 0.072(\text{Board Independence}) + 0.098(\text{Board Diversity}) + 0.213(\text{Audit Committee Size})$$

Using sample values:

Board Size = 10

Board Independence = 65%

Board Diversity = 25%

Audit Committee Size = 5

$$SRDI = 5.614 + (0.384 \times 10) + (0.072 \times 65) + (0.098 \times 25) + (0.213 \times 5)$$

$$\approx 5.614 + 3.84 + 4.68 + 2.45 + 1.065 = 17.659$$

Hypotheses Testing

Hypothesis One: There is a significant relationship between board diversity and sustainability reporting.

H₁ was supported: Board diversity ($\beta = 0.098$, $p = 0.021$) had a significant positive effect, suggesting that board should prioritize gender diversity in board appointments

H₂ was supported: Board size ($\beta = 0.384$, $p = 0.001$) showed a strong positive impact, implying that larger boards in the Nigerian context provide a critical mass of skills and resources necessary for overseeing complex ESG strategies and reporting.

H₃ was supported: Board independence ($\beta = 0.072$, $p = 0.012$) was positively associated with sustainability reporting, confirming that independent directors enhance oversight and insist on greater transparency for accountability purposes, which improves corporate disclosure policies.

H₄ was supported: Audit committee composition ($\beta = 0.213$, $p = 0.017$) significantly influenced reporting, and firms should enhance the expertise and prioritize the independence of audit committee members, particularly in non-financial reporting.

Discussion of Findings

The results reveal a strong and positive influence of corporate governance mechanisms on sustainability reporting practices in Nigerian listed firms. Among all variables, board size ($\beta = 0.384$) exhibits the highest coefficient, suggesting that it is the most influential governance factor in enhancing sustainability reporting among Nigerian firms, likely due to broader expertise and strategic input. Board independence also showed a positive association, indicating that more independent boards are better able to enforce transparency and accountability.

Gender diversity on the board contributed meaningfully to sustainability reporting, supporting the view that inclusive governance improves stakeholder communication. Similarly, the size of the audit committee had a significant positive effect, highlighting the critical role of internal monitoring in sustainability practices.

The Adjusted R² value of 0.61 confirms that 61 percent of the variance in sustainability reporting is explained by the governance variables. This aligns with Stakeholder Theory, which emphasizes responsiveness to diverse stakeholder needs, and Agency Theory, which underlines the role of governance in reducing information asymmetry and enhancing disclosure practices.

Conclusion

The study concludes that companies with more inclusive, independent, and professionally equipped governance structures are more likely to implement robust sustainability policies and disclosures..

Furthermore, corporate governance mechanisms play a significant and positive role in enhancing sustainability reporting among firms. Specifically, board size, board diversity, board independence, and audit committee composition were all found to be significant predictors, indicating that well-structured and effective governance frameworks improve the quality, transparency, and extent of sustainability disclosures. Among these factors, board size emerged as the most influential, suggesting that a larger pool of expertise and resources strengthens oversight of sustainability practices. Additionally, the presence of independent and diverse board members, along with a competent audit committee, reinforces accountability and promotes more credible and comprehensive reporting.

Overall, the findings suggest that strengthening corporate governance structures is essential for improving sustainability reporting practices, particularly in emerging economies like Nigeria, where institutional frameworks are still evolving.

Recommendations

- i. Government and its Regulatory Bodies (FRCN, NGX, and SEC): should Strengthen the enforcement of the NCCG 2018 provisions, particularly regarding board independence. Consider transitioning key aspects of sustainability reporting from voluntary guidelines to mandatory standards with a clear "apply or explain" framework to improve compliance and comparability.
- ii. Training and development- companies should invest in employee training to understand and effectively implement sustainability reporting. As this could include forming a partnership with organizations that focus on sustainability.
- iii. For Professional and Educational Institutions: Develop and deliver targeted capacity- building programs for directors and auditors on global ESG reporting frameworks (GRI, TCFD, ISSB) to bridge the technical expertise gap.

- iv. Sustainability Reporting- Firms should prioritize sustainability reporting as a key part in their strategy. As a link has been established between sustainability and overall firm performance. This will involve sharing information about environmental

Contribution to Knowledge

This study contributes to the literature by providing robust empirical evidence on the governance-sustainability nexus within the under-researched context of Nigeria's capital market. It extends the application of Agency and Stakeholder theories by demonstrating how specific, measurable governance attributes directly influence non-financial disclosure practices in an emerging economy.

Limitations and Suggestions for Future Research

This study is limited by its reliance on publicly available secondary data, which may not capture informal governance processes or the depth of sustainability integration. The sample was also restricted to listed non-financial firms. Future research could employ mixed methods, including surveys and interviews with board members, to gain qualitative insights into corporate governance dynamics. Studies could also explore the role of ownership structure (e.g., state vs. family ownership) and sector-specific differences in moderating the relationships examined here.

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