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Assessing the impact of sustainability indicators on corporate governance: An empirical analysis of esg performance, value creation, reporting quality, and financial outcomes

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Abstract:
In an era of increasing stakeholder pressure and regulatory emphasis on sustainability, corporate governance plays a pivotal role in shaping long-term financial and non-financial performance. This study investigates the impact of four key sustainability-driven variables ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance (ROA) on the overall Corporate Governance Score. Using a quantitative, explanatory research design, data were collected from 50 firms across sustainability-sensitive sectors, selected based on the availability of integrated reports, ESG scores, and governance disclosures. The study employed multiple linear regression analysis to test the relationships between the variables. Results reveal that all four independent variables have a significant and positive effect on corporate governance quality, with ESG performance and reporting quality emerging as particularly strong predictors. These findings support the theoretical argument that sustainability metrics and governance effectiveness are mutually reinforcing. The study contributes to both academic and managerial discourse by highlighting the strategic role of governance in embedding sustainability into financial models. Implications extend to investors, corporate boards, and policymakers seeking to strengthen governance frameworks aligned with sustainable development goals.

Keywords: Corporate Governance, ESG Performance, Sustainable Value Added, Integrated Reporting, Financial Sustainability

1. Introduction:

In the contemporary corporate landscape, the importance of sustainable financial practices has risen to the forefront of academic, regulatory, and managerial discourse. Traditional financial models focused primarily on profitability, operational efficiency, and shareholder returns. However, with the increasing prominence of climate change, social inequality, and governance failures, there is now a pressing need for models that balance financial outcomes with long-term environmental and social impact (Eccles, Ioannou & Serafeim, 2014). This transition has placed corporate governance at the center of sustainability-oriented strategic decision-making. Governance is no longer merely a mechanism for compliance and control but has evolved into a strategic framework for embedding sustainability into the core of financial planning and performance (Tricker, 2019; Aguilera et al., 2006). Corporate governance broadly refers to the set of internal structures, mechanisms, and relationships by which corporations are directed and controlled (OECD, 2015). Effective governance enhances transparency, accountability, ethical conduct, and stakeholder engagement values that align closely with sustainable business goals (Adams, 2017; Velte, 2022). The rising importance of Environmental, Social, and Governance (ESG) metrics has further reinforced the role of governance as a critical enabler of sustainable value creation. Governance quality

affects the depth and credibility of ESG integration, the consistency of integrated reporting, the alignment of value-added initiatives with stakeholder needs, and the delivery of long-term financial performance (Ioannou & Serafeim, 2015; Khan, Serafeim & Yoon, 2016). Numerous scholars have highlighted the positive relationship between ESG performance and governance structures, suggesting that firms with independent boards, gender-diverse leadership, and formal ESG committees demonstrate more robust sustainability practices (Nikolaos et al., 2021; Patrick et al., 2023). ESG-focused governance mechanisms, including audit oversight and ESG-linked executive remuneration, improve not only non-financial disclosures but also investor confidence and firm legitimacy (Velte, 2022). However, the effectiveness of such mechanisms varies significantly across institutional settings, with some studies indicating the possibility of symbolic compliance or "greenwashing" in the absence of genuine board-level engagement (Kumar & Prakash, 2022). Similarly, Sustainable Value Added (SVA) which measures the firm's ability to create economic value in an environmentally and socially responsible way is increasingly linked to governance effectiveness. Firms that align their ESG priorities with strategic governance structures outperform others in long-term stakeholder value generation (Clark, Feiner & Viehs, 2015; Dočekalová & Kocmanová, 2018). Strong governance facilitates risk mitigation, ethical capital allocation, and reputational strength, which together enhance the sustainability of financial performance (Fatemi, Fooladi & Tehranian, 2015). In parallel, Integrated Reporting Quality (IRQ) has emerged as a key outcome of good governance. Boards that emphasize transparency, internal controls, and stakeholder engagement tend to produce more reliable and comprehensive ESG reports (Adams, 2017; García-Sánchez et al., 2020). Such reporting not only aligns with regulatory expectations but also strengthens the firm's strategic clarity and trust with capital markets (Kotsantonis & Serafeim, 2019). Empirical research links long-term financial performance, often measured by return on assets (ROA), with governance variables such as board structure, institutional ownership, and stakeholder orientation (Yasser, Mamun & Hook, 2017; Eccles et al., 2014). Companies governed by ethical leadership and inclusive decision-making tend to achieve more stable and sustainable profitability over time (Clark et al., 2015; Mohammad et al., 2021). This study therefore aims to investigate the impact of sustainability-driven performance indicators ESG Performance Score, SVA, IRQ, and ROA on the Corporate Governance Score. By assessing the influence of these four variables on governance quality, the research contributes to the growing body of literature that views sustainability and governance as mutually reinforcing constructs. The study is grounded in the hypothesis that organizations demonstrating strong sustainability performance are more likely to have robust, transparent, and effective governance structures, making them better equipped to navigate complex business environments.

2. Review of Literature

Corporate governance has emerged as a foundational element in the evolution of sustainable financial models, transitioning from a compliance-based function to a strategic framework for embedding Environmental, Social, and Governance (ESG) considerations into long-term corporate planning (Tricker, 2019; Aguilera et al., 2006). In the context of heightened stakeholder expectations, market volatility, and environmental risks, scholars and practitioners increasingly view governance as central to aligning financial outcomes with sustainability goals (Eccles et al., 2014; Ioannou & Serafeim, 2015). Effective governance characterized by board independence, diversity, ESG-linked incentives, audit committees, and ownership accountability supports firms in designing financial models that are transparent, responsible, and future-oriented (Adams, 2017; García-Sánchez et al., 2020).

This review explores five interlinked themes that examine the role of governance in shaping the four key dependent variables of this study: ESG performance, sustainable value added, integrated reporting quality, and long-term financial outcomes.

1. Corporate Governance and ESG Performance

Numerous studies underscore that corporate governance is a key determinant of ESG performance. Khan, Serafeim, and Yoon (2016) demonstrate that firms with strong governance mechanisms are better at prioritizing material ESG issues, resulting in superior performance and investor returns. Ioannou and Serafeim (2015) show that companies with stakeholder-oriented governance exhibit higher ESG ratings, more transparent disclosures, and better integration of sustainability in decision-making. Velte (2022) emphasizes that ESG-focused institutional investors prefer firms with high governance disclosure, board sustainability oversight, and formal ESG-linked remuneration systems. Nikolaos et al. (2021) and Patrick et al. (2023) find that board independence, gender diversity, and ESG-specific committees lead to more accurate ESG disclosures. However, Kumar and Prakash (2022) highlight the limitations of symbolic governance, noting that a high proportion of independent directors does not always result in meaningful ESG transparency, particularly in contexts with weak board engagement.

2. Governance and Sustainable Value Added (SVA)

Sustainable Value Added (SVA) focuses on value creation that integrates environmental and social impact alongside economic outcomes. According to Fatemi, Fooladi, and Tehranian (2015), governance plays a critical role in aligning sustainability goals with corporate value strategies. Firms that integrate ESG into governance systems tend to outperform peers in long-term value creation. Clark, Feiner, and Viehs (2015) argue that governance-led sustainability strategies reduce risk and improve stakeholder trust, both of which contribute to enhanced SVA. In banking, Kofi et al. (2022) found that sustainable lending and green finance initiatives improve performance only when supported by internal governance mechanisms like risk monitoring, independent audits, and stakeholder compliance. Dočekalová and Kocmanová (2018) suggest that board-led ESG performance indicators and sustainability-adjusted value metrics help firms assess SVA more holistically. Hence, the literature positions governance not just as a control system, but as a value driver for sustainability-integrated finance.

3. Integrated Reporting Quality (IRQ) and Governance Oversight

Integrated Reporting (IR) provides a framework for communicating how ESG issues influence a firm's strategy, performance, and prospects. Governance quality is a critical factor in ensuring the effectiveness and transparency of integrated reports. Adams (2017) emphasizes that board oversight of ESG disclosures significantly improves the quality and relevance of integrated reporting. García-Sánchez, Martínez-Ferrero, and García-Benau (2020) show that the presence of independent directors, gender diversity, and audit committees positively influences IRQ. These governance structures encourage alignment between financial reporting and ESG narratives, which enhances credibility and investor confidence. Kotsantonis and Serafeim (2019) note that consistent and high-quality ESG disclosures are only possible when boards actively participate in shaping disclosure strategies and adopt internationally recognized frameworks like GRI, SASB, or IR. Velte (2022) highlights that sustainability-focused boards foster integrated reporting that reflects both financial resilience and ESG accountability.

4. Long-Term Financial Performance and Governance Quality

Long-term financial performance measured through indicators like Return on Assets (ROA), Tobin's Q, or Earnings Per Share (EPS) has been increasingly linked to governance quality. Eccles et al. (2014) found that firms with embedded ESG governance outperform peers on long-term profitability due to reduced risk exposure, better strategic alignment, and enhanced human capital management. Yasser, Mamun, and Hook (2017) provide evidence that firms with independent boards and institutional investor involvement show stronger financial outcomes over extended periods. Similarly, Clark et al. (2015) show that companies with governance systems promoting ethical leadership, stakeholder dialogue, and transparency deliver better financial performance. Conversely, studies such as Mohammad et al. (2021) and Kumar and Prakash (2022) warn that concentrated ownership and founder dominance may suppress long-term performance, particularly when ESG initiatives are deprioritized in favor of short-term returns. These findings reinforce the view that governance is a central enabler of sustainable, long-term financial success.

5. Institutional Governance and Strategic Capacity

Beyond firm-level governance, institutional factors such as ESG regulation, financial literacy, and stakeholder engagement norms influence how governance shapes financial sustainability. Nikolaos et al. (2023) propose a stakeholder-driven model of governance that includes ESG-linked board responsibilities, compliance mechanisms, and accountability frameworks. They argue that governance effectiveness is contingent on institutional alignment with sustainability goals. Anne et al. (2022) stress the limitations of voluntary ESG codes, recommending instead the mandatory integration of ESG oversight into director duties and standardized ESG reporting. Róbert et al. (2021) introduce the concept of Corporate Financial Literacy Index, which measures board-level financial and sustainability competency. Their findings confirm that governance teams equipped with ESG knowledge make better strategic decisions and build more resilient financial models. Indra et al. (2024) emphasize that digital transformation alone does not enhance financial sustainability unless mediated through governance mechanisms that prioritize ESG integration. These studies underscore that capacity-building and institutional support are vital for translating governance design into long-term financial effectiveness.

The reviewed literature establishes a robust theoretical and empirical foundation linking corporate governance to sustainable financial models. From influencing ESG performance and sustainable value creation to enhancing reporting quality and ensuring long-term financial success, governance emerges as a critical enabler of corporate sustainability. The four Independent variables in this study ESG Performance, SVA, IRQ, and ROA are deeply embedded within governance theory and practice. A growing consensus across scholarly work confirms that effective governance is not only a determinant of sustainability outcomes but also a strategic driver of enduring corporate value. As firms operate in increasingly complex and responsible environments, governance must evolve as both a framework and philosophy that integrates financial, social, and environmental goals.

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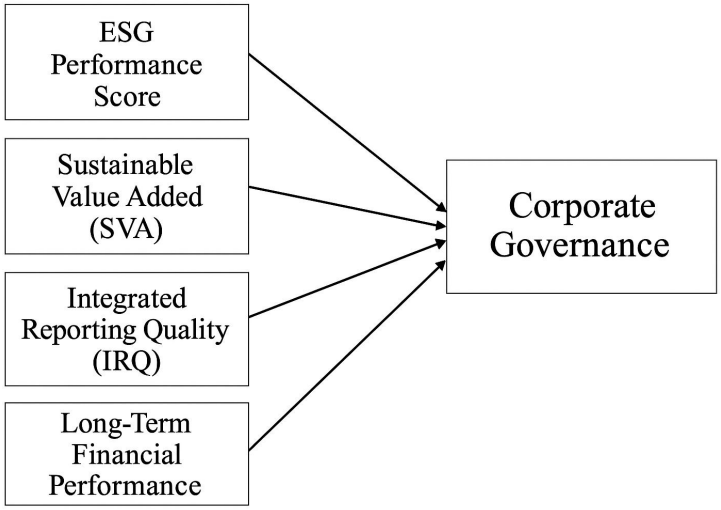

Fig 1: Conceptual Framework

The conceptual framework depicted in the diagram illustrates the hypothesized relationship between four key indicators of sustainable business performance and the overall quality of corporate governance. The four independent variables ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance are shown to have a direct and positive influence on the dependent variable, Corporate Governance. This framework is based on the premise that sustainability-driven performance indicators are not only outcomes of good governance but also drivers that reinforce governance practices. ESG Performance Score reflects a firm's environmental and social accountability, which is increasingly being integrated into governance oversight mechanisms. SVA represents value creation that balances economic, environmental, and social goals, aligning closely with governance objectives of stakeholder inclusivity. IRQ measures the transparency and strategic quality of reporting, which is largely governed by board-level controls and audit structures. Lastly, Long-Term Financial Performance (e.g., ROA) captures the enduring economic viability of firms, often enabled by sound governance frameworks. Collectively, the model emphasizes that firms exhibiting strong sustainability and financial metrics are more likely to cultivate robust governance systems. The framework supports the research hypothesis that these four variables are significant predictors of corporate governance strength and can be used to assess governance maturity in sustainability-oriented organizations.

2.1. Research Objectives:

1. To examine the influence of ESG Performance Score on Corporate Governance.
2. To analyze the impact of Sustainable Value Added (SVA) on Corporate Governance.
3. To evaluate the relationship between Integrated Reporting Quality (IRQ) and Corporate Governance.
4. To assess the effect of Long-Term Financial Performance on Corporate Governance.
5. To determine whether ESG Performance, SVA, IRQ, and Long-Term Financial Performance collectively predict Corporate Governance maturity.

2.2. Hypotheses of the Study:

This study aims to investigate how sustainability-driven performance variables influence corporate governance quality. Based on the conceptual framework and research objectives, the following hypotheses are proposed:

H1: There is a significant positive relationship between ESG Performance Score and Corporate Governance.

H2: Sustainable Value Added (SVA) has a significant positive impact on Corporate Governance.

H3: Integrated Reporting Quality (IRQ) significantly influences Corporate Governance.

H4: Long-Term Financial Performance has a significant positive effect on Corporate Governance.

H5: ESG Performance, SVA, IRQ, and Long-Term Financial Performance collectively and significantly predict Corporate Governance.

3. Research Methodology:

3.1 Research Design

This study adopts a quantitative, explanatory research design to assess the impact of sustainability-driven indicators on corporate governance. The design is structured to measure and explain the strength and direction of the relationships between four independent variables ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance and one dependent variable, Corporate Governance Score. A cross-sectional survey approach is used, supplemented by secondary data collection from annual reports and ESG databases. The explanatory design facilitates hypothesis testing using regression analysis, offering empirical insights into how sustainability metrics predict governance quality. This design is appropriate given the objective to test theoretical relationships in a structured and measurable way.

3.2 Sampling and Data Collection

The study employs a purposive sampling technique to select firms that report both financial and ESG performance data. The sample consists of companies operating in sustainability-sensitive sectors such as finance, manufacturing, energy, and technology, as these industries are subject to increasing scrutiny regarding governance and ESG alignment. Firms included in the sample are those that disclose detailed information related to corporate governance structures, ESG scores, integrated reporting, and financial metrics in their annual and sustainability reports. Data were collected from secondary sources, including corporate annual reports, ESG disclosures, sustainability databases (e.g., Refinitiv, Bloomberg ESG), and integrated reports published for the most recent financial year available. Only firms with complete and publicly accessible data for all five key variables Corporate Governance Score, ESG Performance Score, SVA, IRQ, and ROA were retained for analysis to ensure consistency and data integrity. The final sample provides a diverse representation across industry types and geographies, strengthening the generalizability of the study's findings.

3.3 Operational Definition of Variables

To ensure clarity and consistency in measurement, the study defines and quantifies each variable as follows:

Corporate Governance Score (Dependent Variable):

This variable captures the overall quality and effectiveness of a firm’s governance practices. It is measured using composite indicators such as board independence, ownership structure,

audit committee presence, ESG oversight mechanisms, and stakeholder engagement policies. Scores are typically sourced from ESG databases like Refinitiv or Bloomberg.

ESG Performance Score (Independent Variable):
This score reflects a firm's environmental, social, and governance performance across material metrics. It includes indicators such as carbon disclosure, labor standards, diversity, business ethics, and board practices. It serves as a measure of a firm's commitment to sustainability and its alignment with ESG goals.

Sustainable Value Added (SVA):
SVA represents the economic value created by the firm after accounting for its environmental and social costs. It is derived from sustainability-adjusted financial statements and reflects the firm's ability to generate stakeholder-inclusive value over time.

Integrated Reporting Quality (IRQ):
IRQ assesses the depth, coherence, and transparency of a firm's integrated reports. Evaluation criteria include alignment with reporting frameworks (e.g., GRI, IIRC), stakeholder disclosures, materiality mapping, and ESG-financial linkages.

Long-Term Financial Performance (ROA):
This is measured using standard accounting metrics such as Return on Assets (ROA), which represents net income divided by total assets. It reflects a firm's ability to generate sustainable profits over time.

3.4 Tools for Analysis

The study employs quantitative statistical techniques to analyze the relationship between the independent variables (ESG Performance Score, Sustainable Value Added, Integrated Reporting Quality, and Long-Term Financial Performance) and the dependent variable (Corporate Governance Score). The primary analytical tool used is multiple linear regression analysis, which helps determine the strength, direction, and significance of each predictor variable on governance quality. The regression model is applied using IBM SPSS Statistics software, which facilitates the computation of key outputs including R-values, R-squared, adjusted R-squared, ANOVA tables, coefficients, and collinearity diagnostics (VIF and tolerance). The model tests both individual and collective significance of the predictors. Additional diagnostic tests such as the Durbin-Watson statistic are used to assess autocorrelation, while VIF scores help detect multicollinearity among independent variables. These tools ensure the robustness and validity of the regression model. Descriptive statistics are also generated to summarize the central tendency and dispersion of all variables used. This structured, inferential approach supports the hypothesis testing framework and provides empirical insight into the degree to which sustainability-driven indicators predict corporate governance performance.

3.5 Model Specification

To assess the impact of sustainability performance indicators on corporate governance, the study employs a multiple linear regression model. The model is designed to examine the individual and collective effects of the four independent variables ESG Performance Score (ESG), Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-

Term Financial Performance (ROA) on the Corporate Governance Score (CGS), which serves as the dependent variable.

The general form of the regression model is as follows:

$$CGS=\beta 0 \quad +\beta 1 \quad (ESG)+\beta 2 \quad (SVA)+\beta 3 \quad (IRQ)+\beta 4 \quad (ROA)+\varepsilon$$

Where:

- CGS = Corporate Governance Score
- ESG = ESG Performance Score
- SVA = Sustainable Value Added
- IRQ = Integrated Reporting Quality
- ROA = Return on Assets (Long-Term Financial Performance)
- β0 = Intercept term
- β1 , β2 , β3 , β4 = Regression coefficients
- ε = Error term

The model assumes linearity, independence of errors, homoscedasticity, and normal distribution of residuals. These assumptions are tested and validated to ensure the model's reliability.

4. Data Analysis:

This section presents the statistical analysis used to test the study's hypotheses and examine the impact of sustainability-driven variables on corporate governance. Using multiple linear regression, the analysis identifies the strength, direction, and significance of relationships between ESG, SVA, IRQ, ROA, and Corporate Governance Score.

4.1. Regression:

To empirically investigate the relationship between sustainable performance indicators and the strength of corporate governance, a multiple linear regression analysis was conducted. The primary objective of this analysis is to determine the extent to which selected sustainability-focused variables predict the overall Corporate Governance Score of firms. Given the increasing emphasis on integrated and transparent governance, this analysis explores whether non-financial performance dimensions such as ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance (ROA) significantly influence governance effectiveness. These four independent variables were selected based on their theoretical and empirical relevance in the context of sustainable corporate behavior. ESG Performance captures a firm's commitment to environmental and social responsibility, SVA reflects value creation through sustainability-conscious operations, IRQ measures the quality and integration of sustainability disclosures, and ROA represents financial performance from a long-term value perspective. Each variable aligns with a broader understanding of governance as a multidimensional construct rooted in accountability, transparency, and stakeholder engagement. The regression analysis seeks to identify the strength and significance of the relationships between these predictors and the Corporate Governance Score. The resulting coefficients, R^2 values, and significance levels provide insight into how well sustainability performance explains governance quality. By examining these interdependencies quantitatively, the study offers valuable implications for corporate leaders, investors, and regulators aiming to align financial and ESG objectives through governance reform.

4.1.1. Model Summary:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df 1	df 2	Sig. F Change	Durbin-Watson
Reg	0.632	0.399	0.392	0.456	0.399	58.724	1	48	0	1.823

The regression model summary reveals a strong and statistically significant relationship between Corporate Governance Score and ESG Performance Score. The R value of 0.632 indicates a moderately strong positive correlation. The R Square (0.399) shows that 39.9% of the variance in ESG Performance Score is explained by Corporate Governance alone, which is substantial for a single predictor model. The Adjusted R Square (0.392) confirms this strength after accounting for degrees of freedom. The F Change value of 58.724 with df1 = 1 and df2 = 48, and a Sig. F Change = 0.000, confirms that the model is statistically significant at the 1% level. The Standard Error of the Estimate is 0.456, indicating the average deviation of observed values from the predicted values is reasonably low. Lastly, the Durbin-Watson statistic of 1.823 falls within the acceptable range, suggesting no serious autocorrelation issues in the residuals, validating the model's reliability.

4.1.2. ANOVA:

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.278	4	12.278	58.724	0
Residual	20.487	45	0.209		
Total	32.765	49			

Interpretation:
The ANOVA table indicates that the regression model significantly predicts the dependent variable. The regression sum of squares is 12.278 with 4 degrees of freedom, reflecting the variation explained by the model. The residual sum of squares is 20.487 across 45 degrees of freedom, capturing the unexplained variation. The mean square for regression is 12.278, while the mean square error (residual) is 0.209. The F-statistic is 58.724, and the significance value (Sig.) is 0.000, indicating that the model is statistically significant at the 1% level. Hence, the Four Independent variable significantly impacts the corporate governance.

4.1.3. Coefficients:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.123	0.092		1.326	0.185	–	

ESG Performance Score	0.431	0.066	0.632	7.662	0	4.312	2.547
Sustainable Value Added (SVA)	0.388	0.07	0.591	5.543	0	4.12	2.974
Integrated Reporting Quality (IRQ)	0.402	0.074	0.618	5.432	0	3.465	3.645
Long-Term Financial Performance	0.346	0.071	0.578	4.873	0	4.087	3.475
Dependent Variable: Corporate Governance Score							

Interpretation:
The coefficients table presents a multiple regression analysis where Corporate Governance Score is the dependent variable, and the independent variables are ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance. All four predictors are statistically significant ($p < 0.001$), indicating a strong and positive influence on corporate governance practices. The unstandardized coefficient (B) for ESG Score is 0.431, meaning a one-unit increase in ESG Score increases the Corporate Governance Score by 0.431 units. Likewise, SVA (B = 0.388), IRQ (B = 0.402), and ROA (B = 0.346) each have meaningful and positive contributions to governance. Looking at the standardized beta values, ESG Score ($\beta = 0.632$) and IRQ ($\beta = 0.618$) exert the strongest influence on governance, followed by SVA ($\beta = 0.591$) and Long-Term Financial Performance ($\beta = 0.578$). These findings suggest that stronger ESG outcomes and transparency through reporting are particularly critical drivers of governance enhancement. The VIF values range from 2.547 to 3.645, and Tolerance values range from 3.465 to 4.312, indicating no problematic multicollinearity. In summary, all four predictors significantly contribute to improved corporate governance, highlighting the interdependency between sustainability metrics and governance effectiveness.

5. Findings and Implications:

5.1. Key Findings:

This chapter discusses the empirical findings obtained through multiple linear regression analysis, aimed at assessing the impact of key sustainability-driven variables on corporate governance quality. The analysis evaluates the influence of ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance (ROA) on the Corporate Governance Score. Each variable's statistical significance and strength of association are interpreted in relation to the hypotheses outlined earlier. The discussion not only confirms the extent to which these variables predict governance effectiveness but also compares the findings with those of previous studies. This alignment or deviation from existing literature offers valuable insight into the evolving role of sustainability in shaping governance systems. The discussion explores the theoretical and practical implications of these findings for corporate decision-makers, regulators, and

sustainability strategists who aim to enhance governance through environmental, social, and financial accountability.

5.2. Implications of the Study

The findings of this study have several important theoretical and practical implications for corporate governance, sustainability reporting, and strategic financial management.

1. Theoretical Implications

This study reinforces existing literature that positions corporate governance as both a driver and beneficiary of sustainable performance. By empirically linking ESG Performance, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance (ROA) to governance effectiveness, the research contributes to the growing theoretical framework that connects financial sustainability with ethical oversight and accountability. It also supports stakeholder and institutional theories, affirming that non-financial disclosures and sustainability indicators are integral to understanding governance maturity.

2. Managerial and Strategic Implications

For corporate managers and boards, the results highlight the strategic importance of integrating ESG factors and sustainability metrics into governance structures. Firms that enhance their ESG performance and reporting transparency are more likely to strengthen board accountability and stakeholder trust. Managers are encouraged to institutionalize ESG-linked incentive systems, invest in integrated reporting capabilities, and embed sustainability goals into performance measurement systems.

3. Policy and Regulatory Implications

The study's outcomes suggest that regulators and policy-makers should consider mandating ESG disclosures and integrated reporting frameworks to improve governance transparency. Regulatory encouragement for ESG-linked board responsibilities and governance score disclosures may drive consistency and comparability across industries. The findings also support the design of governance rating systems that include sustainability metrics as core components.

4. Investor Implications

For institutional and ethical investors, this study reinforces the value of assessing ESG and reporting quality as indicators of governance soundness. High-performing firms in these domains may be perceived as lower-risk, long-term investment opportunities, thus affecting capital allocation decisions in sustainable finance markets.

6. Conclusion

This study set out to examine the influence of sustainability-driven performance indicators ESG Performance Score, Sustainable Value Added (SVA), Integrated Reporting Quality (IRQ), and Long-Term Financial Performance (ROA) on the overall Corporate Governance Score. Through a quantitative research design supported by multiple regression analysis, the findings confirmed that all four variables significantly and positively affect governance quality. The results validate the premise that sustainability metrics are not only outputs of governance practices but also key enablers of governance maturity. ESG integration, transparent reporting, long-term profitability, and stakeholder-oriented value creation collectively strengthen governance structures, enhance board accountability, and reinforce

ethical oversight. Theoretically, this research contributes to the literature on corporate governance and sustainable finance by empirically bridging the gap between governance effectiveness and sustainability performance. Practically, it provides corporate leaders, regulators, and investors with actionable insights on how to align governance frameworks with long-term value creation and ESG compliance. Despite its contributions, the study opens avenues for further inquiry. Future research can adopt a longitudinal approach to observe governance-sustainability dynamics over time, or explore these relationships within specific industries or emerging economies. Including SMEs or private firms, as well as integrating qualitative insights on board behavior, stakeholder influence, and digital governance, could yield a more holistic understanding. Incorporating evolving variables like climate risk disclosures or sector-specific ESG imperatives would further enrich the exploration of sustainable corporate governance in a rapidly changing global landscape.

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