CORPORATE SUSTAINABILITY PERFORMANCE: THE ROLE OF GOVERNANCE MECHANISMS AND EFFECT ON FIRM VALUE OF LISTED COMPANIES IN NIGERIA

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by

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LIST OF ABBREVIATIONS

BFXT	Board Financial Expert
BIND	Board Independence
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matter Act
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
CEOP	Chief Executive Officer Power
CG	Corporate Governance
CSP	Corporate Sustainability Performance
CSR	Corporate Social Responsibility
CS	Corporate Sustainability
CTEN	CEO Tenure
ESG	Environmental, Social and Governance
FEM	Fixed Effect Model
FSIZE	Firm Size
GRI	Global Reporting Initiative
GVD	Board Gender Diversity
LEV	Leverage
LSDV	Least-Square Dummy Variable
MOW	Managerial Ownership
NSE	Nigerian Stock Exchange
OECD	Organization of Economic Corporation and Development
OLS	Ordinary Least Square
PROF	Profitability
REM	Random Effect Model

SCOM	Sustainability Related Committee
SDGs	Sustainable Development Goals
SEC	Nigerian Securities and Exchange Commission
TBL	Triple Bottom Line

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PRESTASI KELESTARIAN KORPORAT: PERANAN MEKANISME TADBIR URUS DAN KESANNYA KE ATAS NILAI FIRMA BAGI SYARIKAT YANG TERSENARAI DI NIGERIA

ABSTRAK

Kebimbangan global tentang prestasi kelestarian korporat (CSP) telah meningkat sejak beberapa tahun kebelakangan ini. Banyak organisasi korporat dikritik kerana kesan negatif aktiviti mereka terhadap masyarakat dan alam sekitar. CSP memerlukan syarikat untuk menyepadukan dan mencapai prestasi ekonomi bersama dengan prestasi sosial dan alam sekitar. Objektif utama kajian adalah untuk mengkaji pengaruh mekanisme tadbir urus korporat terhadap CSP syarikat yang tersenarai di Nigeria dan kesan CSP terhadap nilai firma. Rangka kerja penyelidikan diambil daripada teori pemegang taruh, agensi dan pergantungan sumber. Sampel kajian termasuk semua syarikat bukan kewangan yang disenaraikan di bursa saham Nigeria dan data sekunder daripada laporan tahunan digunakan. Data yang dikumpul dianalisis menggunakan teknik regresi panel. Tiga model regresi panel dianalisis dalam kajian ini. Model regresi pertama adalah tentang kesan mekanisme tadbir urus ke atas CSP. Kajian mendapati bahawa kebebasan lembaga pengarah, kepelbagaian jantina lembaga pengarah, jawatankuasa berkaitan kelestarian, pemilikan pengurusan dan kuasa CEO mempunyai perkaitan yang positif dan signifikan dengan CSP. Keputusan model kedua mendedahkan kesan positif dan signifikan CSP terhadap nilai firma. Selanjutnya, penemuan model ketiga mendedahkan kesan penyederhanaan positif kelonggaran organisasi terhadap hubungan antara CSP dan nilai firma. Hasil kajian ini meningkatkan aplikasi teori pemegang taruh, agensi dan pergantungan sumber. Melalui teori pemegang taruh, kajian ini menerangkan cara syarikat boleh

menggunakan CSP bagi mengurus perkaitan mereka dengan persekitaran luaran dan peranan tadbir urus korporat ke arah operasi yang lestari. Hasil kajian juga memberi maklumat yang relevan kepada pengawal selia dan penggubal dasar di Nigeria tentang struktur lembaga yang akan memudahkan pelaksanaan inisiatif kemampanan dalam organisasi korporat yang akan menyumbang kepada pencapaian agenda pembangunan lestari.

CORPORATE SUSTAINABILITY PERFORMANCE: THE ROLE OF GOVERNANCE MECHANISMS AND EFFECT ON FIRM VALUE OF LISTED COMPANIES IN NIGERIA

ABSTRACT

The global concern about corporate sustainability performance (CSP) has increase in recent years. Many corporate organizations are criticized for the negative impact of their activities on society and environment. CSP entails companies to integrate and pursue economic performance along with social and environmental performance. The main objective of this study is to examine the influence of corporate governance mechanisms on CSP of listed companies in Nigeria and the effect of CSP on firm value. The research framework is drawn from stakeholder, agency and resource dependency theories. The sample of the study include all non-financial companies listed on the Nigerian stock exchange and secondary data from the annual reports is utilized. The data collected is analyzed using panel regression technique. Three panel regression models are analyzed in this study. The first regression model is on the effect of governance mechanisms on CSP. Findings indicate that board independence, board gender diversity, sustainability related, managerial ownership and CEO power have positive and significant relationship with CSP. The result of the second model reveals a positive and significant effect of CSP on firm value. Further, the findings of the third model show a positive moderating effect of organizational slack on the relationship between CSP and firm value. The findings from this study extend the application of stakeholder, agency and resource dependency theories. From the stakeholder theory, the study explains how companies can utilize CSP to manage their relationship with the external environment and the role of corporate governance

toward sustainable operation. The outcome of the study also provides relevant information to the regulators and policymakers in Nigeria on the board structure that will facilitate the implementation of sustainability initiatives in corporate organizations and contribute to the attainment of sustainable development agenda.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

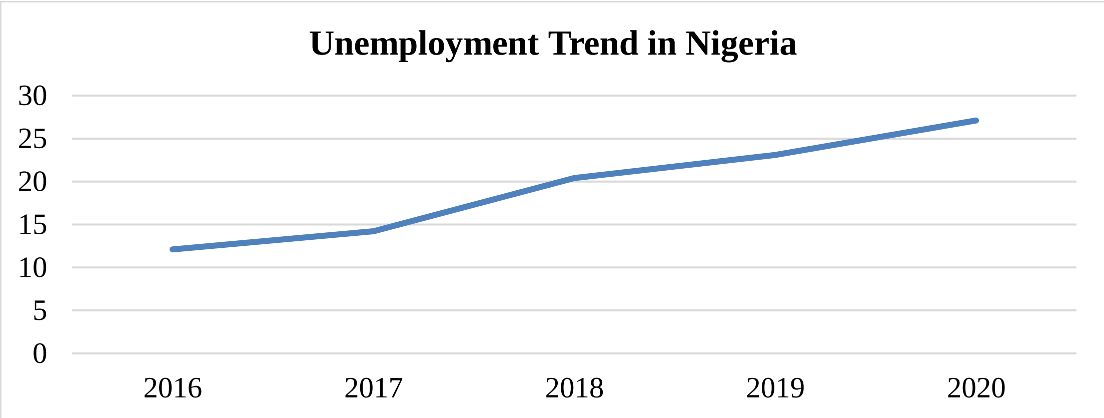
Recently, there is an increasing global concern on corporate sustainability performance. Many corporate organizations are criticized for the negative effect of their operational activities on sustainable development (Lozano, 2015; Manning et al., 2018). Investors and other stakeholders call on corporations to take greater responsibility of their operational effect on the environment and society (Duque-Grisales & Aguilera-Caracuel, 2019). The idea of sustainability performance originates from the World Commission on Environmental Development (Brundtland, 1987). The report from the conference placed a strong emphasis on the necessity of pursuing economic activities that can sustain the environment and natural resources. The three crucial aspects of sustainable development that is contained in the report are economic prosperity, social equity and the sustainability of the environment.

Corporate sustainability performance (CSP) is an act of meeting the economic objectives of the company while maintaining the resources both human and natural that will be required to meet the interest of potential stakeholders (Derqui, 2020). In essence, CSP is the contributions of business organizations toward sustainable development by ensuring sustainable operations. The United Nations (UN) have launched a global action plan in 2015 tagged as the 2030 Agenda for Sustainable Development. The 2030 Agenda incorporates 17 Sustainable Development Goals (SDGs), consisting of 169 targets aim at tackling global sustainable problems including climate change, poverty, gender inequality and other environmental damage.

The SDGs call for massive action from government agencies, corporate organizations and non-governmental bodies to share and attain sustainable growth.

1.1.1 Sustainable Development in Nigeria

Following the release of the sustainable development agenda of 2030 by the UN general assembly, several SDGs have stressed on the role of corporate organizations toward achieving sustainable development (UN Global Compact, 2017). Specifically, SDG - 5, 6, 7, 12 and 13 are aspects that require actions from businesses and corporate entities. Although Nigeria is the major crude oil supplier in Africa and have the largest economy with a Gross Domestic Product (GDP) of $446.543 billion (World Bank, 2019), the rate at which poverty and unemployment is increasing is alarming. The National Bureau of Statistics (2020) report on poverty and inequality shows that 49% of the population are living below the annual poverty line of $381.75. The current unemployment rate was also reported to reach the highest level within the last five years, as presented in Figure 1.1.



Years	**2016**	**2017**	**2018**	**2019**	**2020**
Rate (%)	12.1	14.2	20.4	23.1	27.1

Figure 1.1 Unemployment Rate in Nigeria

Source: National Bureau of Statistics (2020).

Besides the increasing rate of unemployment, the level of underemployment also contributes to the poverty rate in the country. According to a survey by Price water Coopers (PwC), the underemployment rate in Nigeria has increased from 20% to 29% in 2018 (Ogunfuwa,2020). The UN has emphasized the importance of putting sound policies that will reduce unemployment, underemployment and working poverty. So far, the government has been making efforts toward attaining SDG 1- “To end poverty in all its form everywhere”. For instance, National Economic Empowerment and Development Strategy (NEEDS), the National Social Investment Programs and more recently the Nigeria’s 2020 Voluntary National Review (VNR) on sustainable development targets are among programs and policies aimed at eradicating poverty, creating wealth and improving the livelihood of people in the country.

However, the government alone cannot tackle sustainable development issues; businesses and corporate organizations also need to contribute to sustainable development (Nigeria Green Economic Report, 2012). Active participation of other stakeholders, including private and public sector organizations, non-governmental organizations, business associates, professional bodies, and research institutes, is highly needed toward sustainable development. Several initiatives have been issued in response to the role of business organizations on the SDGs. For instance, the UN Global Compact and SDG Compass have provided a framework for companies on how to contribute to the attainment of SDGs which suggest that corporate organizations are anticipated to integrate social and environmental performance with the core business activities. Naciti (2019) also stressed that corporate organizations are expected to contribute to SDGs through sustainable business practices.

With regard to the role of corporate organizations toward sustainable development, Elkington (1997) have introduced the Triple Bottom Line (TBL) which stressed the need for corporate organizations to integrate economic performance with social and environmental performance. The economic performance deals with how companies generate adequate returns to shareholders and cashflow that will ensure optimum liquidity. The focus here is on profit maximization. The social performance is about the quality of people's lives and requires companies to add value to their employees and communities in which they operate. The concern here is the on people. The environmental performance on the other hand is concern with sustaining the natural resources that are utilized in the production processes which can either be renewable or non-renewable and the ecosystem. The emphasis here is on the planet.

Corporate organizations are required to establish and implement sustainable business models capable of addressing growing societal needs. Elkington (2006) also advocated about sustainable corporate governance and the important contribution of corporate boardroom members to sustainable performance. Further, the UN Global Compact, (2015) required corporate organizations to consider the long-term social and environmental consequences while making strategic decisions and corporate governance is among the key drivers of corporate decisions. Thus, corporate governance mechanisms are expected to ensure sustainable performance that integrate economic, environmental and social factors when designing corporate strategies, policies and procedures that will enhance the long-term firm performance and value.

1.1.2 Corporate Governance in Nigeria

The aftermath of the major scandals in corporate organizations and financial crises around the world has fascinated the attention of regulatory authorities and other stakeholders on the need for an effective corporate governance mechanism. Several codes of corporate governance (CG) were issued worldwide to enhance effective corporate practice, ensure accountability and improve corporate performance. For instance, the Sarbanes-Oxley Act of 2002 in the United States, the King Report of 1994 in South Africa, and the Cadbury Report of 1992 in the United Kingdom. In Nigeria, the first CG code for quoted companies was issued by the Securities and Exchange Commission (SEC) in 2003 in response to international happenings and to further strengthened the governance landscape of Nigerian corporate organizations.

The SEC CG code (2003) issued provisions on the best practices require to be comply by the corporate organizations, outlining the details responsibilities of the board of directors, the rights of shareholders and the functions of the audit committee to ensure transparency, accountability, and adequate disclosure. However, compliance with the SEC code of 2003 was voluntary as such corporate organizations in Nigeria continue to face governance issues that led to the collapse of many public firms. The Central Bank of Nigeria (CBN) in 2006 issued another governance code to the banking industry due to financial scandals that lead to the collapsed of major banks in the country, the report of which revealed that the fraud was committed by the top management of the banks.

Even with the SEC code of 2003 and CBN code of 2006, public companies in Nigeria continue to collapse, for example the cases of Cadbury Nigeria Plc and Lever Brothers Plc in 2006, African Petroleum Plc in 2009, African Bank Nigeria Plc in 2011 (Sylvester & Famous, 2016; Usman & Kamardin, 2015). This has led to the introduction of a revised CG code by the SEC in 2011. Unlike the CG code of 2003, compliance with all the principles of the SEC CG code of 2011 was compulsory to all public companies. Nevertheless, the attention of the corporate board at that period was on the agency relationship and how to ensure and satisfy the interest of the shareholders by supervising the managers and preventing any corporate malpractices (Nigeria CG Code, 2011).

Moreover, most prior empirical studies on corporate governance in Nigeria was directed towards financial performance and financial reporting quality or earnings management (See. Adekunle & Aghedo, 2016; Gideon et al., 2019; Obigbemi et al., 2016; Shehu & Ahmed, 2012). Several studies investigates the role of the corporate boardroom on firm performance, but only few of these studies investigate the effectiveness of the board beyond the usual financial metrics (Onwuka et al., 2019). Thus, the role of CG mechanisms toward sustainability performance, integrating social and environmental performance, is still not extensively explored in Nigeria.

Worldwide, the implementation of CG codes at the early stage focused mainly on monitoring the management entrusted with running the affairs of the companies and preventing corporate malpractices. Bhagat, Bolton and Romano (2011) indicated that the focus of CG regulation in the United States during that period was mainly about the agency conflict among shareholders and the management who control organizational activities because the management may resort to actions and practice that are self-centered not in the favor of the shareholders if they are not carefully supervise.

Accordingly, agency conflict may likely arise between the principal (shareholders) and the management as ownership is separated from the control (Jensen & Meckling, 1976), information asymmetric and opportunistic behavior wherein managers may be driven by self-interest rather than to maximize profit for the shareholders, thus the demand for CG mechanisms to monitor the behaviors of these agents and harmonized their interest with that of the shareholders (Christensen et al., 2010; Jackling & Johl, 2009; Nicholson & Kiel, 2007; Raelin & Bondy, 2013). Jain and Jamali (2011) also assert that shareholders put in place sound CG mechanisms such as the board directors, audit committee and other control mechanisms to resolve such conflict of interests.

However, the emerging stakeholder CG model views organization as an entity having responsibility to wide range of stakeholders rather than merely the shareholders. Although traditional shareholder model of a firm views the corporation as an entity mainly to maximize profit for the shareholders, disregarding the interest of other stakeholders will affect the firm performance. Ayuso, Rodríguez, García-Castro and Ariño, (2014) argued that stakeholder governance model that integrate the interest of different stakeholders into the corporate decisions and management processes enhances firm performance and value.

Following the introduction of various corporate governance codes globally, a substantial body of research has been documented on how CG mechanisms improve financial performance and safeguard the wealth of shareholders (Christensen et al., 2010; Jackling & Johl, 2009; Kyere & Ausloos, 2020; Munisi & Randøy, 2013; Ntim, 2013; Sehrawat et al., 2020; Uwuigbe et al., 2018), the role of corporate governance mechanisms on corporate social performance (Jamali, Safieddine, & Rabbath, 2008; Jizi & Salama, 2014; Jo & Harjoto, 2012; Khan, Muttakin, & Siddiqui, 2013) and the role of CG mechanism in preventing earnings management (Feng & Huang, 2020; Jean & Zhang, 2014; Shehu & Ahmed, 2012; Tolulope et al., 2018).

However, research on the effect of CG mechanisms on CSP and disclosure is still evolving and mostly conducted in developed countries (Cucari et al., 2017; Hussain, Rigoni, & Orij, 2018; Naciti, 2019), with less attention to the developing countries (See. Omar & Amran, 2017; Zaid et al., 2020). Recently, there is increasing calls and urgency on corporate organizations to contribute and support the sustainable development agenda by integrating social and environmental concerns into corporate strategy, mission and objectives. But the main question still remains on how to effectively integrate the notion of sustainability performance into corporate strategy in a way that brings opportunities and competitive advantage.

Corporate organizations utilized natural resources in their production activities which has significant effect on the society. Thus, the call for companies to contribute to sustainable development. The UN general assembly (2015) have emphasized on the critical role of corporate organizations toward attaining sustainable development. The CG mechanisms can play an important role in the integration of sustainability initiatives because they set corporate policies and strategies, allocate resources to sustainable initiatives and carefully supervise the management to ensure long term sustainable performance (Disli et al., 2022; Hoshiar et al., 2022). The integration of sustainable issues into corporate strategy may require the participation of key actors in the corporate organization. Thus, the CG mechanisms are expected to establish policies and ensure practices regarding the CSP (Hussain, Rigoni, & Orij, 2018; Naciti, 2019; Shui et al., 2022).

Moreover, the implementation of sustainable business strategies and environmental policies may largely depends on the corporate governance mechanisms structure in term of board diversity, board independence, number of board meetings and presence of subcommittees and other important aspects of the company such as organizational resources.

As noted by Porter and Kramer (2006) and Derqui (2020) when effectively and fully implemented, sustainable business practices could serve as a source of value creation for companies. Thus, this study investigates the role of internal governance mechanisms on the sustainable performance of listed companies in Nigeria and its effect on the firm value.

1.1.3 Firms Value in Nigeria

The maximization of profit and shareholders' wealth is the primary objective of a firm which can be attributed to many factors, both internal and external factors. The Nigeria equity market has witnessed a significant decline in 2019. The average daily value traded across all products decreased by 53.24% to N3.26 billion from N6.98 billion in 2018. Similarly, the average daily volume traded declined by 53.49% to 323.52 million units from 695.65 million units in 2018. The firm performance and value across the various industries also decline in 2017 and 2019, as presented below.

Table 1.1 Firm Value of Listed Nigerian Companies-By Sectors

Sectors	**2016 N'Billions**	**2017 N'Billions**	**%Changes 2017**	**2018 N'Billions**	**2019 N'Billions**	**% Changes 2019**
Agriculture	62.47	79.58	27.39	145	141.9	-2.138
Conglomerate	157.73	89.61	-43.19	134.54	77.39	-42.48
Construction	110.26	101.03	-8.37	83.26	68.93	-17.21
Consumer	2840	2660	-6.16	3810	2810	-26.25
Financial	2980	2450	-17.78	4940	3900	-21.05
Health	55.50	33.44	-39.75	58.79	30.02	-48.94
ICT	33.93	46.10	35.86	32.06	21.65	-32.47
Industrial Good	3640	3490	-4.08	4930	3890	-21.1
Natural	7.06	5.94	-15.85	4.96	4.28	-13.71
Oil and Gas	733.01	692.83	-5.48	717.06	616.09	-14.08
Service	119.16	88.43	-25.79	143.02	119.92	-16.15

Source: Nigerian Stock Exchange Fact Sheet (2020)

Many factors have been attributed to the above decline in firm value including capital structure, firm profitability, tangibility and firm age. Okeke and Okeke (2019) showed leverage as a major factor that affect corporate value in Nigeria; thus, managers should ensure an optimum capital structure that enhances firm value. Likewise, Lawson and Osaremwinda (2019) reported that firm profitability, leverage, firm age and tangibility have a significant influence on firm value. Emeka-Nwokeji (2017), on the other hand, has attributed firm value in Nigeria to effective CG and the monitoring roles of the board directors.

Despite, the growing rate of socially responsible investment (SRI) globally, much attention has not been paid on the impact of CSP on the firm value in Nigeria. Lo and Sheu (2007) have studied the effect of corporate sustainability on firm value of non-financial firms in the US and found a strong and positive association between CSP and market value. This implied that firms with strong sustainable initiatives and strategies will attract investors and improve their market value. Similarly, Qiu, Shaukat and Tharyan (2016) also argued that investors now place high value on firms that are commitment to addressing their societal and environmental issues. Their findings indicate that companies that are strongly engaged in social performance and disclosures will attract investors and increase their market value.

Yet, the empirical research on the relationship between CSP and firm value is still inconclusive (Barnea & Rubin, 2010; Hörisch et al., 2014; Jitmaneeroj, 2018; Jo & Harjoto, 2011; Li et al., 2016; Masulis & Reza, 2015; Sheikh, 2018). While agency theorists contend that CSP is an agency cost because firms will spend resources on social welfare that has little or no value to the firm and entrenched managers may use this investment, proponents of stakeholder theory contend that multiple stakeholder groups tend to influence firm value. Thus, CSP can be utilized to address the interest of these stakeholders which improve competitive advantage, increase resources accessibility, and gain the support of these stakeholder groups.

In line with the proponents of stakeholder theory, availability of organizational resource can further enhance the ability of a firm to address stakeholders demand through sustainability performance. The implementation of sustainability initiatives will requires internal resources both physical and financial resources (Duque-Grisales & Aguilera-Caracuel, 2019; Wu & Hu, 2020). Thus, organizational slack resources will give firms the ability to adopt new strategies and innovations that may be difficult to adopt in a financially constraint organizations.

1.2 Problem Statement

The corporate organizations are under massive pressure about their operational activities that adversely affect the environmental and social sustainability. The operations and production processes of these corporate organizations cause environmental deterioration and contribute to climate change. A critical phenomenon that affects the entire global communities. According to the World Bank Report (2019), carbon emissions increase with about 1.23 billion metric tons from 2015 to 2019 and almost 73.2% of these emissions come from energy consumption including industrial activities. Conventionally, the primary objective of corporate organizations is wealth maximization, but the level of social and environmental deterioration caused by these corporate organizations also needs to be addressed.

Several frameworks and guidelines have been set up worldwide in response to pressure on CSP and disclosure. For instance, the Sustainability Accounting Standard Board, UN Global Compact, Global Reporting Initiative, Carbon Disclosure Project, Climate Disclosure Standards Board and International Integrated Reporting Council among others. In Nigeria, similar frameworks and principles were also put in place such as Sustainable Banking Principles issued by the Central Bank of Nigeria (CBN), Sustainability Disclosure Guidelines issued by Nigeria Stock Exchange and Corporate sustainability principles in the Nigeria CG Code. Nevertheless, the level of sustainability performance in Nigeria is still very low as indicated by the Global Sustainability Index.

The Global Sustainable Competitive Index 2020 ranked Nigeria 149 far below many African countries like Ghana, Kenya, Cameroon and Tunisia that were ranked 60, 81, 88 and 119 respectively (GSCI, 2020). Likewise, Environmental Performance Index (EPI) that score and rank countries based on their environmental performance and effort toward sustainable development goals ranked Nigeria 151 out of 180 countries (World Economic Forum, 2020), compared to other Sub-Saharan African countries like South Africa, Kenya, Rwanda and Gabon, sustainability performance in Nigeria is still very low.

On the hand, the operation of corporate organizations in Nigeria continue to create environmental degradation and social unrest, for instance the activities of the oil companies cause crude oil spillage which pollute the environment, waterways and the ecosystem. Oil spills from oil companies deteriorates the environment and affect socio-economic well-being of the host communities. Ahmed and Mohammed (2017) stated that environmental problems arising from the operations of oil companies in the Niger Delta remains a major challenge in Nigeria. The Niger Delta communities continue to perceive oil companies as irresponsible about their social well-being, this has generated a severe conflict that resulted to loss of lives and important properties.

Further, carbon emissions from the manufacturing companies in Nigeria including cement, conglomerate, chemical and construction companies increases and continue to caused environmental degradation (Ogundipe et al., 2020). The rate of carbon emission in Nigeria in 2018 is 110.7 million tons, almost 41% higher than the rate in 2010 which is 78.7 million tons (World Bank, 2018). Energy combustion and other industrial processes contribute significantly to the increasing rate of carbon emission. Thus, companies need to take reasonable steps in sustaining the environment and resolving conflict with the stakeholders.

The structure of CG mechanisms may be attributed to the level of CSP in Nigeria. CG mechanisms have the responsibility of setting organizational goals which includes formulating and implementing sustainable strategies (Orazalin & Baydauletov, 2020). Martin and Herrero (2019) also argue that integrating sustainability concerns into corporate practice should originate from the board directors, they are required to set sustainability agenda into core business activities and operations. Moreover, board structure is vital to the board decision making and implementation of sustainability initiatives (Naciti, 2019; Orazalin & Baydauletov, 2020; Rao & Tilt, 2016).

Despite the increasing global call on gender balance and female representation on the corporate boards and national governance, women are not fully represented on the corporate boardrooms in Nigeria which may affect the level of CSP. The survey conducted by DCSL Corporate Service Limited (2017) on corporate board diversity in Nigeria shows that over 70% of the boardroom members of listed companies in Nigeria are men. In fact, in some sectors like conglomerate and manufacturing companies the representation of female directors is less than 15%. Gender diversity is an important human right, hence not having a fair representation of female on the board reflects weak responsibility practices of the firm (Nadeem et al., 2017).

In Nigeria as in most African countries, women are confined to household activities such as bringing up children and taking care of the family and because of the patriarchal nature of the societies men still dominate decision making both at national and organizational level (International Finance Corporation, 2019). Women are only seen to play supportive roles and they have to work harder to ascertain leadership positions. While women differs from men in their approach to social and ethical issues (Chijoke-Mgbame et al., 2020), they tend to focus more on ethical aspect of decisions, suggesting different ethical standards to the board decision making. Thus, the poor representation of female on the corporate boards may lead to suboptimal sustainability practices.

Further, the Nigerian code of CG (SEC Code, 2011) requires the board of each company to combine the executives and non-executive directors, with large proportion of the board required to be non-executive and at least one independent directors. However, the board settings and presence of ownership concentration may affect the monitoring roles of independent directors. Nigerian companies practice a single-tier board system where both the executive and non-executive board members work together which create a greater interpersonal relationship and becomes difficult for the independent directors to assert their objective judgement. In addition, major shareholders and board chairmen may influence the appointment of board members ignoring the requisite expertise, competence and professional experience (Jinadu et al., 2018; Ujunwa, 2012), which may impede the effective supervisory roles of the board and the level of social and environmental performance.

Moreover, CEO power and discretion may affect the overall performance of a company. CEOs are appointed and assigned with responsibilities of overseeing the activities of the firm. They influence firm’s decision making as they become more powerful. Sani, Abdul Latif and Al-Dhamari, (2020) assert that CEO tenure, pay slice and experience are factors that make the CEOs powerful. Powerful CEOs are supposed to perform their functions better than weak CEOs. However, they may tend to take decisions that are detrimental to the sustainable performance of their organizations (Li et al., 2016; Sheikh, 2019).

Powerful and entrenched CEOs viewed sustainability engagement as an agency cost that reduces their compensation and company’s cash flow (Jiraporn & Chintrakarn, 2013; Li et al., 2016). Thus, they prefer to invest more in areas that maximize short term profit than social and environmental performance because their compensation is linked with economic performance. Most CEOs in Nigeria are powerful and somewhat entrenched (Sani et al., 2020) as indicated in the series of financial scandal and CG abuses leading many corporate organizations to collapse (See. the case of Cadbury Plc in 2006, Lever Brother Plc in 2006, Sky bank Plc and Oando Plc in 2017). Thus, CEO power and managerial entrenchment may further affect the level of CSP in Nigeria.

Overall, given the weak institutional environment and internal governance mechanisms in Nigeria, the equity market has witnessed a major decline in 2019. The performance and value of equity shares in all the sectors has decline. The equity market is not very attractive to both foreign investors and local investors because more recently investors are sensitive about the sustainability of their investment. Firms with strong sustainability strategies are likely to attract more investment and gain higher value in the financial market. PwC report (2019) assert that investors in Nigeria increasingly pay attention to companies with effective sustainability initiatives and this has significantly increase the market for responsible investment. Corporate organizations and other key capital market players take advantage of these opportunities by ensuring sound implementations of sustainability initiatives because many investors consider sustainability performance in their investment decision. Moreover, corporate sustainability performance has been documented to positively influence the market performance and stakeholders confidence (Cucari et al., 2017).

However, previous literature on the impact of CSP on firm value to is still inconclusive (Bajic & Yurtoglu, 2018; Masulis & Reza, 2015; Su & Sauerwald, 2018). From the perspective of the stakeholder, one strand contends that firm value influenced by multiple groups of stakeholders and that sustainability performance can be used by companies to resolve stakeholder disputes, giving them a competitive advantage, better access to resources, and increased corporate reputation. Thus, they have documented that CSP enhances firm value (Bajic & Yurtoglu, 2018; Su & Sauerwald, 2018).

On the contrary, another strand argue that sustainability performance is an agency cost considering the fact that company incur economic resources on social welfare which has little or no contributions to its overall value (Barnea & Rubin, 2010; Masulis & Reza, 2015). Investing in corporate sustainability activities create additional cost because some companies uses outdated technologies in their production processes, implementing new systems that reduces emissions and improve the use of natural resources might be very expensive (Duque-Grisales & Aguilera-Caracuel, 2019). Thus, when firms decide to invest in sustainability initiatives, their economic resources will be compromised which may affect their financial performance. This implied that the implementation of sustainability initiatives will require internal resources, both financial and physical resources (Wu & Hu, 2020). Organizational slack resources give a company an opportunity to adopt and implement new strategies and innovations that will be difficult to adopt in more financially constraint organizations. Accordingly, CSP may depend on the availability of organizational slack resources that will address the environmental and social sustainability of the stakeholders (Arora & Dharwadkar, 2011; Duque-Grisales & Aguilera-Caracuel, 2019). Thus, firms that have organizational slack resources are likely to undertake more sustainable practices (Lin, Ho, Ng, and Lee, 2019) than firms with scarce or no organizational slack.

Wu and Hu (2020) assert that unabsorbed slack resources effectively improve firm's sustainability innovations and contributions toward sustainable development while absorbed slack resources negatively affect firm's sustainability innovations. When financial resources are scarce, firms are likely to continue with conservative strategies, investing in what they consider fundamental for their survival. Because of insufficient financial resources firms tend to focus more on operational activities than on sustainability initiatives. Thus, managers may perceive sustainability initiatives as expensive and adopt more profitable activities (Duque-Grisales & Aguilera-Caracuel, 2019). However, as organizational slack increases, companies can change their perceptions of investing in sustainability initiatives, they can consider sustainability performance as priorities as well and integrate it into firm's strategy which may be a source of market competitive advantage. Likewise, firms with available slack resources are more capable of absorbing additional costs and more willing to undertake sustainable initiatives (Lin et al., 2020).

Organizational slack will enable firms to take advanced sustainable activities with greater commitment from the management and employees. Such sustainable activities will reduce cost and risk, increase operational efficiency and corporate reputation which in turn increases firm performance and value. Overall, the study intends to investigate the influence of CG mechanisms on CSP of listed companies in Nigeria and the impact of CSP on firm value moderated by organizational slack.

1.3 Research Objectives

The main aim of this study is to examine the influence of corporate governance mechanisms on corporate sustainability performance of listed companies in Nigeria. Specific objectives of the study are to:

i. Examine the influence of board independence on corporate sustainability performance.
ii. Examine the influence of corporate board diversity (board gender diversity, board financial expert, board ethnicity, sustainability related committee) on corporate sustainability performance.
iii. Examine the effect of managerial ownership on corporate sustainability performance.
iv. Examine the effect of CEO power on corporate sustainability performance.
v. Examine the effect of corporate sustainability performance on firm value.
vi. Examine the role of organizational slack in moderating the effect of corporate sustainability performance on firm value.

1.4 Research Questions

In line with the research objectives, the following research questions is raised:

i. Does board independence influence corporate sustainability performance?

ii. Does corporate board diversity (board gender diversity, board financial expert, board ethnicity, sustainability related committee) influence corporate sustainability performance?

iii. Does managerial ownership affect corporate sustainability performance?

iv. Does CEO power affect corporate sustainability performance?

v. Does corporate sustainability performance have effect on firm value?

vi. Does organizational slack moderate the effect of corporate sustainability performance on firm value?

1.5 Significance of the Study

This study contributes to the body of the existing empirical literature on CSP and the role of corporate organizations toward sustainable development. Thus, the significance of this study is divided into practical and theoretical contributions.

1.5.1 Theoretical Contribution

Fundamentally, this research investigates the effect of CG mechanisms on the CSP of listed companies in Nigeria. Most prior studies on the CG mechanisms largely directed on the short-term financial performance especially in the context of Africa and Nigeria in particular. Henceforth, this study empirically investigates the effect of corporate board, managerial shareholders and CEO power on the integration of economic performance with social and environmental performance. Thus, the study incorporates both stakeholder theory and agency theory to assess the influence of CG mechanisms on CSP. Most prior studies that utilized agency theory to examine the role of CG mechanisms, this study extends the literature by incorporating stakeholder theory and agency theory.

Further, this study adds to the literature by examining the influence of corporate board diversity in terms of board gender, independence and presence of sustainability related committee on CSP from the stakeholder theory. The empirical research on the heterogenous board members and the implementation of sustainable initiatives are relatively scarce in Africa. Thus, this study intends to fill some gap in the context of Nigeria. Likewise, the prior findings on the CSP and firm value are still inconclusive from the two perspectives based on the stakeholder theory and agency theory (Barnea & Rubin, 2010; Hörisch et al., 2014; Jitmaneeroj, 2018; Jo & Harjoto, 2011; Li et al., 2016; Masulis & Reza, 2015; Sheikh, 2018). While agency theorists contend that CSP is an agency cost because firms will spend resources on social welfare that has little or no value to the firm and entrenched managers may use this investment, proponents of stakeholder theory contend that multiple stakeholder groups tend to influence firm value. Thus, CSP can be utilized to address the interest of these stakeholders which improve competitive advantage, increase resources accessibility, and gain the support of these stakeholder groups. Hence, this study incorporated organizational slack as a moderating variable using resource dependency theory to examine whether having available organizational resources to implement sustainability initiatives and strategies could enhance firm value in the capital market.

1.5.2 Practical Contribution

The outcome of this research is relevant to the Nigeria's regulatory authorities and policymakers as it offers insightful information regarding the corporate board structure that might implement sustainable initiatives. Specifically, the Nigeria stock exchange (NGX), the securities and exchange commission (SEC) and federal ministry of environment can benefit from the findings of this study regarding the role of corporate organizations toward sustainable development. The revised Nigerian CG Code (2018) requires public listed companies to ensure sustainable performance. Thus, the outcome of the study could presents important information to the shareholders on the corporate board structure that is capable of influencing sustainable operation which in turn may enhance the overall firm performance.

Further, the findings are expected to inform the investors on the importance of sustainable operation on the market value. Contrary to the traditional view on social and environmental performance as an agency cost to the company that consume valuable resources meant for economic activities, effective implementation of sustainable strategies and initiatives may provide competitive advantage, minimize cost and risk and improve firm reputation. Thus, the investors that give regard to socially responsible investment may benefit from the outcome of this research.

As discussed earlier in the background of the study that private organizations are required to aid the attainment of the 2030 SDGs Agenda. In line with this agenda, prior studies have documented several factors that determine the CSP both internal factors and the operating environmental factors (Aksoy et al., 2020; Khanifah et al., 2020; Lozano, 2015; Ludwig & Sassen, 2022; Naciti, 2019) among others. Thus, the outcome of this study may provide valuable information to the regulatory bodies on the key role of internal CG mechanisms toward the CSP and the possible of attainment of the sustainable development Agenda in Nigeria.

1.6 Scope of the Study

This study focuses on the role of CG mechanisms on CSP and the relationship between CSP and firm value. The research covers all the public companies regulated by the Nigeria Stock Exchange (NSE), and secondary data is utilized from the annual report and accounts of the companies included in the sample for five years period from 2015-2019. The CG variables used in this study are corporate board independence, gender diversity, financial expert, ethnic diversity, sustainability related committee, managerial ownership and CEO power. Specifically, this study focuses on non-financial companies operating in Nigeria and exclude the financial companies because of the unique differences in the regulations and operating environment of the financial companies. The non-financial companies engaged in heavy manufacturing and processing activities as such there is serious demand for their sustainable operation as compared to the financial companies that only provide financial services. Moreover, financial companies are highly supervised and regulated by the CBN and their sustainability guiding principles is quite unique and different from the non-financial companies.

Looking at the mixed findings on the CSP and firm value from previous studies (Bajic & Yurtoglu, 2018; Masulis & Reza, 2015; Su & Sauerwald, 2018), this study introduced organizational slack resources to moderates the association between CSP and firm value based on the resource dependency theory. When firms have sufficient organizational resources that can be allocated to other projects, managers tend to take more innovative actions that may satisfy the stakeholders' demand and improve firm performance.

1.7 Definitions of Key Terms

The following key terminologies are more frequently used in this study:

Corporate sustainability performance: Corporate sustainability performance is an effort and actions of a company toward sustainable operation. It is the process of integrating social and environmental initiatives into the firm's operations (Hussain, Rigoni, & Orij, 2018; Jha & Rangarajan, 2020). CSP can also be viewed as meeting the economic objective of the company while maintaining the physical and natural resources needed for the future (Derqui, 2020).

Firm Value: Firm value is a market based financial performance of an organization that is related to the stock market value (Khanifah et al., 2020). It is ascertain from the equity shares and the book value of the total assets and liabilities.

Corporate Governance: Corporate governance (CG) is the structures, principles and policies which guide and direct the corporate organizations (Cadbury Report, 1992). It is the rules and principles that govern the management, shareholders and stakeholders of corporate organizations.

Board Independence: Independent directors are non-executive members of the corporate board. They are expected to be independent of the shareholders and management. Thus, their presence will lead to better supervision, compliance with the laws and more concern for sustainability performance (Naciti, 2019).

Board Gender Diversity: is the representation of both male and female gender on the corporate board. it has been argued that gender diversity in the boardroom can bring different perspectives and experience which strengthen board decision making. In this study board gender diversity is the percentage of female directors in the boardroom (Cucari et al., 2017; Martín & Herrero, 2019).

Board Financial Expert: Board financial expert relate to director's knowledge, experience and level of professionalism in decision making. The board expertise affects strategic decisions and organizational outcomes (Bilal et al., 2018; Shaukat et al., 2016).

Sustainability Related Committee: Sustainability related committee is a special committee set up or any related committee that advise the company about the corporate sustainability initiatives to be implemented. The committee carefully supervises the implementation of these initiatives and the behaviors of the management toward CSP (Cucari et al., 2017; Martín & Herrero, 2019).

Managerial Ownership: This is the percentage of the top executive officers and management shares who fully participate in the company decisions (Alhababsah, 2019; Connelly et al., 2010; Nadeem et al., 2017).

CEO Power: Powerful CEOs are those that influence important decisions in an organization. The CEOs acquired their power either from formal or informal source (Sheikh, 2019; Walls & Berrone, 2017). The formal power come from the CEO status, ownership, tenure and pay slice while the informal power can be acquired from the experience and expertise.

Organizational Slack: Organizational slack is a pool of unutilized resources that can be allocated to new organizational projects and targets (Guo et al., 2020). Slack resource is a pool of funds that can be utilized to implement new organizational strategies and innovative projects.