EUROPEAN INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND MANAGEMENT STUDIES

TYPE Original Research
PAGE NO. 107-112

OPEN ACCESS

SUBMITED 01 November 2025
ACCEPTED 15 November 2025
PUBLISHED 30 November 2025
VOLUME Vol.05 Issue11 2025

Corporate Governance, ESG Disclosure, and Sustainable Development Goals: An Integrated Analysis of Financial Transparency and Accountability in Contemporary Firms

Dr. Marco Alvarez

Department of Accounting and Finance, University of Barcelona, Spain

Abstract The increasing demand for corporate transparency and accountability has significantly reshaped the landscape of financial reporting and governance practices across global capital markets. In recent decades, traditional financial disclosures have been deemed insufficient to capture the full spectrum of risks, opportunities, and responsibilities faced by corporations operating in complex socio-economic and environmental contexts. Consequently, Environmental, Social, and Governance (ESG) disclosure and Sustainable Development Goals (SDGs) reporting have emerged as critical mechanisms through which firms communicate their broader value creation processes and societal impacts. This study develops a comprehensive and theoretically grounded examination of the role of ESG and SDG-related disclosures in enhancing financial transparency, strengthening corporate governance, and improving stakeholder trust. Drawing strictly on established literature in corporate governance, voluntary disclosure, sustainability reporting, and financial transparency, this research integrates agency theory, stakeholder theory, legitimacy theory, and resource dependence theory to explain why firms engage in expanded disclosure practices and how governance structures influence disclosure quality.

The study adopts a qualitative, text-based methodological approach, synthesizing empirical findings and theoretical arguments from prior research to construct a coherent analytical framework. Particular attention is given to board characteristics, ownership structures, regulatory environments, and cultural contexts as determinants of disclosure behavior. The analysis reveals that robust corporate governance mechanisms—such as board independence, diversity, and effective oversight—are consistently associated with higher-quality ESG and SDG disclosures. Furthermore, ESG transparency is shown to mitigate information asymmetry, reduce agency costs, and enhance investor confidence, thereby contributing indirectly to firm performance and long-term sustainability.

The findings also highlight persistent shortcomings in SDG reporting, including selective disclosure, lack of standardization, and symbolic adoption, which undermine the credibility and comparability of sustainability information. Despite regulatory initiatives such as the European Union's Directive 2014/95/EU, compliance remains uneven, suggesting that regulation alone is insufficient without strong governance incentives and stakeholder pressure. By offering an extensive theoretical elaboration and integrative discussion, this article contributes to the literature by bridging corporate governance research with sustainability and disclosure studies. It provides valuable insights for policymakers, regulators, investors, and corporate leaders seeking to enhance transparency and accountability in pursuit of sustainable development objectives.

Keywords: Corporate governance, ESG disclosure, financial transparency, sustainability reporting, SDGs, voluntary disclosure

Introduction

The evolution of corporate reporting has been deeply intertwined with changes in economic structures, investor expectations, and societal values. Traditionally, financial statements were designed primarily to inform shareholders about a firm's financial position and performance, focusing on profitability, liquidity, and solvency. However, as corporations grew in size and influence, their activities began to exert significant social and environmental impacts, prompting stakeholders to demand greater transparency beyond conventional financial metrics. This shift has led to the gradual expansion of corporate disclosure practices to include non-financial information related to environmental stewardship, social responsibility, and governance quality (Adams & Zutshi, 2004).

In this context, Environmental, Social, and Governance disclosure has emerged as a central pillar of modern corporate reporting. ESG disclosure reflects a firm's commitment to responsible business conduct and provides insights into how non-financial factors are managed and integrated into strategic decision-making. Simultaneously, the adoption of the United Nations Sustainable Development Goals has provided a global framework for aligning corporate activities with broader societal objectives, encouraging firms to report on their contributions to sustainable development (Elalfy et al., 2021). Together, ESG and SDG reporting represent a paradigm shift in corporate transparency, emphasizing long-term value creation and accountability to a wide range of stakeholders.

Despite the growing prominence of ESG and SDG disclosures, significant challenges remain regarding their quality, comparability, and credibility. Prior research has documented substantial variation in disclosure practices across countries, industries, and firms, often influenced by differences in governance structures, regulatory environments, and cultural norms (Haniffa & Cooke, 2002). Moreover, concerns have been raised about the potential for symbolic or impression management-driven disclosures, where firms emphasize positive narratives while obscuring negative impacts (Diaz-Sarachaga, 2021). These issues underscore the need for a deeper theoretical and empirical understanding of the determinants and consequences of ESG and SDG disclosure.

Corporate governance plays a critical role in shaping disclosure behavior. Governance mechanisms are designed to align managerial actions with the interests of shareholders and other stakeholders, reduce agency conflicts, and enhance accountability (Jensen & Meckling, 1976). Board characteristics, ownership structures, and oversight processes influence managerial incentives and, by extension, the extent and quality of information disclosed to external parties (Forker, 1992; Eng & Mak, 2003). As ESG and SDG reporting often involves voluntary elements and discretionary judgments, effective governance becomes even more crucial in ensuring transparency and reliability.

The existing literature offers valuable insights into the relationship between governance and disclosure; however, much of this research has historically focused on financial or voluntary disclosures rather than integrated ESG and SDG reporting. While recent studies have begun to explore sustainability disclosure in specific contexts, there remains a gap in comprehensive, theory-driven analyses that connect governance mechanisms, ESG transparency, and sustainable development objectives within a unified framework (Oncioiu et al., 2020; Costa et al., 2022). This study seeks to address this gap by providing an extensive theoretical elaboration and integrative discussion based strictly on established references.

The primary objective of this article is to examine how corporate governance structures influence ESG and SDG disclosure practices and how these disclosures, in turn, contribute to financial transparency and accountability. By synthesizing insights from corporate governance theory, disclosure research, and sustainability literature, the study aims to deepen understanding of the mechanisms through which non-financial reporting enhances stakeholder trust and supports sustainable value creation. In doing so, it responds to calls for more holistic and interdisciplinary approaches to corporate reporting research (Garrido-Ruso et al., 2022).

Methodology

This research adopts a qualitative, conceptual, and integrative methodological approach grounded in an extensive review and synthesis of prior academic literature. Rather than relying on primary data collection or quantitative modeling, the study focuses on developing a comprehensive theoretical analysis based strictly on established references in the fields of corporate governance, disclosure, ESG reporting, and sustainable development. This approach is particularly appropriate given the study's objective of maximizing theoretical elaboration and providing a deep, nuanced understanding of complex relationships among governance mechanisms, disclosure practices, and financial transparency.

The methodological foundation of the study lies in structured literature analysis. Key peer-reviewed journal articles were identified based on their relevance to corporate governance theory, voluntary disclosure determinants, ESG and SDG reporting practices, and financial transparency outcomes. Seminal works in agency theory and corporate governance provide the theoretical backbone for understanding managerial incentives and monitoring mechanisms (Jensen & Meckling, 1976; Jensen, 1986). Complementary perspectives from stakeholder theory, legitimacy theory, and resource dependence theory are integrated to capture the broader social and institutional dimensions of disclosure behavior (Hillman & Dalziel, 2003).

The analysis proceeds by systematically examining how different strands of literature conceptualize disclosure and governance. Studies on voluntary financial disclosure offer insights into the determinants of transparency, highlighting the roles of firm size, ownership dispersion, board structure, and regulatory context (Lang & Lundholm, 1993; Hossain & Adams, 1995). These insights are then extended to ESG and SDG disclosure, drawing on sustainability-focused research that examines corporate responses to social and environmental accountability pressures (Oncioiu et al., 2020; Erin & Bamigboye, 2021).

A key methodological feature of this study is its integrative orientation. Rather than treating ESG disclosure, SDG reporting, and corporate governance as separate phenomena, the analysis explicitly connects these domains to demonstrate their interdependence. This is achieved through thematic synthesis, whereby recurring concepts and findings across studies are identified and elaborated in detail. For example, board independence is examined not only as a governance mechanism but also as a driver of credible sustainability disclosure, reflecting the board's monitoring and advisory roles (Forbes & Milliken, 1999; Goodstein et al., 1994).

The study also adopts a comparative lens, drawing on evidence from different geographical and institutional contexts, including Europe, Africa, Asia, and emerging markets. This allows for a richer understanding of how cultural norms, legal systems, and regulatory frameworks shape disclosure practices (Haniffa & Cooke, 2002; Klapper & Love, 2004). By emphasizing descriptive and interpretive analysis, the methodology aligns with the study's objective of avoiding numerical modeling while providing exhaustive theoretical explanation.

Results

The integrative analysis of the literature reveals several consistent patterns regarding the relationship between corporate governance, ESG and SDG disclosure, and financial transparency. One of the most prominent findings is that firms with stronger governance structures tend to exhibit higher levels of disclosure quality, both in financial and non-financial domains. Governance mechanisms such as board independence, separation of the roles of CEO and chairperson, and the presence of diverse expertise on the board are repeatedly associated with more comprehensive and credible reporting practices (Eng & Mak, 2003; Jackling & Johl, 2009).

In the context of ESG disclosure, effective governance appears to reduce managerial opportunism and encourage transparency. Agency theory suggests that managers may withhold information or engage in selective disclosure to protect private benefits; however, robust monitoring by independent directors mitigates this tendency (Jensen & Meckling, 1976). Empirical evidence supports this view, indicating that well-governed firms are more likely to disclose detailed information on environmental risks, social initiatives, and governance policies (Forker, 1992; Corvino et al., 2020).

Another key result concerns the role of regulatory frameworks in shaping disclosure behavior. Mandatory disclosure requirements, such as those introduced by Directive 2014/95/EU, have contributed to increased ESG reporting among European firms. However, compliance levels vary significantly, and the depth of disclosure often depends on internal governance incentives rather than regulation alone (Venturelli et al., 2017). This finding suggests that regulation acts as a baseline, while governance quality determines whether firms go beyond minimum requirements.

The analysis also highlights persistent shortcomings in SDG reporting. While many firms reference the SDGs in their sustainability reports, the extent to which these references reflect substantive integration into business strategy remains limited (Diaz-Sarachaga, 2021). Selective reporting and lack of standardized metrics hinder comparability and reduce the usefulness of SDG disclosures for stakeholders (Costa et al., 2022). Governance mechanisms that promote long-term strategic thinking, such as board engagement in sustainability oversight, are identified as critical factors in addressing these shortcomings.

Finally, the literature indicates that enhanced ESG and SDG disclosure contributes to improved financial transparency by reducing information asymmetry and enhancing stakeholder trust. Transparent reporting supports more accurate analyst forecasts, lowers the cost of capital, and strengthens investor confidence (Lang & Lundholm, 2000). Although the financial performance effects of sustainability disclosure are complex and context-dependent, the overall evidence suggests that transparency and accountability are foundational to sustainable corporate success (Oncioiu et al., 2020).

Discussion

The findings of this study underscore the central role of corporate governance in shaping the quality and effectiveness of ESG and SDG disclosure. From a theoretical perspective, the integration of agency theory with stakeholder and legitimacy perspectives provides a more comprehensive understanding of disclosure behavior. While agency theory emphasizes monitoring and incentive alignment, stakeholder theory highlights the broader accountability of firms to society, and legitimacy theory explains why firms seek social approval through disclosure (Hillman & Dalziel, 2003).

One important implication is that ESG disclosure should not be viewed merely as a reporting exercise but as a governance outcome reflecting underlying organizational values and structures. Firms with proactive boards and strong governance cultures are better positioned to integrate sustainability into strategic decision-making, resulting in more meaningful disclosures (Forbes & Milliken, 1999). Conversely, weak governance may lead to superficial reporting that prioritizes image management over substantive change.

The discussion also reveals important limitations in current disclosure practices. The lack of standardization in ESG and SDG reporting creates challenges for comparability and accountability. Although global frameworks such as GRI provide guidance, their voluntary nature allows for significant discretion, which can be exploited by firms seeking to highlight favorable information while omitting negative aspects (Diaz-Sarachaga, 2021). This raises concerns about greenwashing and underscores the need for stronger governance oversight and assurance mechanisms.

Future research should explore how emerging technologies and advanced analytical techniques, such as sentiment analysis of disclosures, can enhance the assessment of transparency and credibility (Tailor & Kale, 2025). Additionally, comparative studies across different institutional contexts could further illuminate how governance reforms and cultural factors influence sustainability reporting practices.

Conclusion

This study provides an extensive and theoretically grounded examination of the role of corporate governance in ESG and SDG disclosure and its implications for financial transparency. By synthesizing insights from established literature, the research demonstrates that effective governance is a critical enabler of credible and comprehensive sustainability reporting. ESG and SDG disclosures, when supported by strong governance structures, contribute to reduced information asymmetry, enhanced stakeholder trust, and long-term value creation.

Despite regulatory advances and growing stakeholder pressure, significant challenges remain in ensuring the quality and comparability of sustainability disclosures. Addressing these challenges requires not only improved reporting standards but also a deeper integration of sustainability into corporate governance and strategic oversight. Ultimately, transparency and accountability are not merely compliance outcomes but fundamental components of responsible and sustainable corporate behavior.

References

1. Adams, C., & Zutshi, A. (2004). Corporate social responsibility: Why business should act responsibly and be accountable. Australian Accounting Review, 14, 31–39.

2. Corvino, A., Doni, F., Martini, S. B. S. B., & others. (2020). Corporate governance, integrated reporting and environmental disclosure: Evidence from the South African context. Sustainability, 12, 4820.

3. Costa, R., Menichini, T., & Salierno, G. (2022). Do SDGs really matter for business? Using GRI sustainability reporting to answer the question. European Journal of Sustainable Development, 11, 113.

4. Diaz-Sarachaga, J. M. (2021). Shortcomings in reporting contributions towards the Sustainable Development Goals. Corporate Social Responsibility and Environmental Management, 28, 1299–1312.

5. Elalfy, A., Weber, O., & Geobey, S. (2021). The Sustainable Development Goals (SDGs): A rising tide lifts all boats? Journal of Applied Accounting Research, 22, 557–575.

6. Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary disclosure. Journal of Accounting and Public Policy, 22, 325–345.

7. Erin, O. A., & Bamigboye, O. A. (2021). Evaluation and analysis of SDG reporting: Evidence from Africa. Journal of Accounting, Organizations and Change, 18, 369–396.

8. Forbes, D. P., & Milliken, F. (1999). Cognition and corporate governance. Academy of Management Review, 3, 489–505.

9. Forker, J. J. (1992). Corporate governance and disclosure quality. Accounting and Business Research, 22, 111–124.

10. Garrido-Ruso, M., Aibar-Guzmán, B., & Monteiro, A. P. (2022). Businesses' role in the fulfillment of the 2030 Agenda. Sustainability, 14, 8754.

11. Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure. Abacus, 38, 317–349.

12. Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance. Academy of Management Review, 28, 383–396.

13. Jackling, B., & Johl, S. (2009). Board structure and firm performance. Corporate Governance: An International Review, 17, 492–509.

14. Jensen, M. (1986). Agency costs of free cash flow. American Economic Review, 76, 323–329.

15. Jensen, M., & Meckling, W. (1976). Theory of the firm. Journal of Financial Economics, 3, 305–360.

16. Lang, M., & Lundholm, R. (1993). Cross-sectional determinants of analyst ratings of corporate disclosures. Journal of Accounting Research, 31, 246–271.

17. Lang, M., & Lundholm, R. (2000). Voluntary disclosure and equity. Contemporary Accounting Research, 17, 623–669.

18. Oncioiu, I., Popescu, D. M., Aviana, A. E., Șerban, A., Rotaru, F., Petrescu, M., & Marin-Pantelescu, A. (2020). The role of environmental, social, and governance disclosure in financial transparency. Sustainability, 12, 6757.

19. Tailor, P., & Kale, A. (2025). Multimodal sentiment analysis of earnings calls and SEC filings. Utilitas Mathematica, 122, 3163–3168.

20. Venturelli, A., Caputo, F., Cosma, S. I., Leopizzi, R., & Pizzi, S. I. (2017). Directive 2014/95/EU: Are Italian companies already compliant? Sustainability, 9, 1385.