


**THE ROLE OF ENVIRONMENTAL POLICY IN INFLUENCING GOVERNANCE AND SUSTAINABILITY PRACTICES AMONG NIGERIAN QUOTED COMPANIES: A PROPOSED FRAMEWORK**

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b></p> <p><b>Received</b> 03 April 2023</p> <p><b>Accepted</b> 04 July 2023</p>	<p><b>Purpose:</b> This study aimed to introduce a moderator to strengthen the relationship between institutional factors and corporate managers' immersion as governance attributes toward firms' sustainability initiatives.</p> <p><b>Theoretical framework:</b> A proposed model based on the developed hypothesis was formulated based on empirical and theoretical facts to support the concepts of institutional and legitimacy theories.</p>
<p><b>Keywords:</b></p> <p>Corporate Managers' Immersion; CSR Initiatives; Environmental Policy; Governance; Institutional Factor; Sustainability Practices; Nigeria.</p> <div data-bbox="172 1093 480 1339" style="text-align: center;">  </div>	<p><b>Design/methodology/approach:</b> The research uses a quantitative method that examines the quoted companies rated and ranked by Nigeria's World CSR Consensus rating, including all Financial and Non-Financial sectors. It also assesses the companies' roles in encouraging friendly environmental practices.</p> <p><b>Findings:</b> The consequence of this report shows that Just 26 corporations have occupied a position on corporate social responsibility (CSR) initiatives, with Access Bank having the highest significant value of 99% and UAC Nigeria Plc having the lowest value of 1%. Additionally, only 90 out of 156 Nigeria's publicly traded firms have been assessed and recognized by CSRHUB, having the lowest percentage.</p> <p><b>Research, Practical &amp; Social implications:</b> since there are no standard ways of enhancing the institutional factors and corporate managers' immersion rapport to add to the body of knowledge, Environmental Policy is proposed and recommended as essential in shaping future planning and sustainability practices.</p> <p><b>Originality/value:</b> To strengthen and increase the sustainability practices success of these firms, they must pay more attention to the environmental policies and the factors that influence them. Further studies might consider improving the research by analyzing the variables in the proposed model based on the hypothesis formulated and the time-variant.</p> <p>Doi: <a href="https://doi.org/10.26668/businessreview/2023.v8i7.2648">https://doi.org/10.26668/businessreview/2023.v8i7.2648</a></p>

**O PAPEL DA POLÍTICA AMBIENTAL NA INFLUÊNCIA DAS PRÁTICAS DE GOVERNANÇA E SUSTENTABILIDADE ENTRE AS EMPRESAS NIGERIANAS COTADAS EM BOLSA: UMA PROPOSTA DE ESTRUTURA**

**RESUMO**

**Objetivo:** Este estudo teve como objetivo introduzir um moderador para fortalecer a relação entre os fatores institucionais e a imersão dos gerentes corporativos como atributos de governança em relação às iniciativas de sustentabilidade das empresas.

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**Estrutura teórica:** Um modelo proposto com base na hipótese desenvolvida foi formulado com base em fatos empíricos e teóricos para apoiar os conceitos das teorias institucionais e de legitimidade.

**Projeto/metodologia/abordagem:** A pesquisa usa um método quantitativo que examina as empresas cotadas em bolsa classificadas e classificadas pela classificação do Consenso Mundial de RSC da Nigéria, incluindo todos os setores financeiros e não financeiros. Ela também avalia as funções das empresas no incentivo a práticas ambientais amigáveis.

**Conclusões:** As consequências desse relatório mostram que apenas 26 corporações ocuparam uma posição em iniciativas de responsabilidade social corporativa (CSR), com o Access Bank tendo o maior valor significativo de 99% e a UAC Nigeria Plc tendo o menor valor de 1%. Além disso, apenas 90 das 156 empresas de capital aberto da Nigéria foram avaliadas e reconhecidas pelo CSRHUB, o que representa a menor porcentagem.

**Implicações para a pesquisa, práticas e sociais:** como não há formas padronizadas de aprimorar os fatores institucionais e o relacionamento de imersão dos gerentes corporativos para acrescentar ao conjunto de conhecimentos, a Política Ambiental é proposta e recomendada como essencial para moldar o planejamento futuro e as práticas de sustentabilidade.

**Originalidade/valor:** Para fortalecer e aumentar o sucesso das práticas de sustentabilidade dessas empresas, elas devem prestar mais atenção às políticas ambientais e aos fatores que as influenciam. Estudos futuros podem considerar o aprimoramento da pesquisa por meio da análise das variáveis no modelo proposto com base na hipótese formulada e na variante temporal.

**Palavras-chave:** Imersão dos Gerentes Corporativos, Iniciativas de RSC, Política Ambiental, Governança, Fator Institucional, Práticas de Sustentabilidade, Nigéria.

## EL PAPEL DE LA POLÍTICA MEDIOAMBIENTAL EN LAS PRÁCTICAS DE GOBERNANZA Y SOSTENIBILIDAD DE LAS EMPRESAS NIGERIANAS QUE COTIZAN EN BOLSA: MARCO PROPUESTO

### RESUMEN

**Objetivo:** Este estudio pretendía introducir un moderador para reforzar la relación entre los factores institucionales y la inmersión de los directivos de las empresas como atributos de gobernanza en relación con las iniciativas de sostenibilidad de las empresas.

**Marco teórico:** Se formuló un modelo propuesto basado en la hipótesis desarrollada a partir de hechos empíricos y teóricos para apoyar los conceptos de las teorías institucional y de la legitimidad.

**Diseño/metodología/enfoque:** La investigación utiliza un método cuantitativo que examina las empresas que cotizan en bolsa clasificadas y calificadas según la clasificación del Consenso Mundial de RSE de Nigeria, incluidos todos los sectores financieros y no financieros. También evalúa el papel de las empresas en el fomento de prácticas respetuosas con el medio ambiente.

**Conclusiones:** Las consecuencias de este informe muestran que sólo 26 empresas ocupaban una posición en las iniciativas de responsabilidad social corporativa (RSC), siendo Access Bank la que tenía el valor significativo más alto, del 99%, y UAC Nigeria Plc la que tenía el valor más bajo, del 1%. Además, sólo 90 de las 156 empresas que cotizan en bolsa en Nigeria fueron evaluadas y reconocidas por CSRHUB, lo que representa el porcentaje más bajo.

**Implicaciones para la investigación, la práctica y la sociedad:** Dado que no existen formas estandarizadas de mejorar los factores institucionales y la relación de inmersión de los directivos de las empresas para añadir al conjunto de conocimientos, se propone y recomienda la Política Medioambiental como esencial para dar forma a futuras prácticas de planificación y sostenibilidad.

**Originalidad/valor:** Para reforzar y mejorar el éxito de las prácticas de sostenibilidad de estas empresas, deberían prestar más atención a las políticas medioambientales y a los factores que influyen en ellas. Futuros estudios pueden considerar mejorar la investigación analizando las variables del modelo propuesto a partir de la hipótesis formulada y la variante temporal.

**Palabras clave:** Inmersión de los Directivos de Empresa, Iniciativas de RSE, Política Medioambiental, Gobernanza, Factor Institucional, Prácticas de Sostenibilidad, Nigeria.

## INTRODUCTION

To blossom the current socially competitive environment, corporations must disseminate legitimate information regarding their efforts to manage their operations' negative environmental impacts. Thus, it encourages social equity and inspires economic growth. As Malik et al. (2023) recommended, companies should not only be responsible for their economic aspects but also focus on social and environmental aspects. One such means is enacting environmental policy involving codes of ethics or principles set by the Government to guide organizations and their employees to recognize and emulate positive behaviours and do away with negative ones to improve sustainability practices (Clementino & Perkins, 2021; Long & Driscoll, 2008). Likewise, companies whose ethical codes of conduct are not adequately implemented tend to experience illegal acts such as violation of professional standards, human rights violations, incompetency, and lack of sustainability initiatives (Olalekan, 2020). Hence the need for policies that could encourage these establishments to protect the environment where they operate.

Globally, a study by an accounting firm – Price Waterhouse Coopers (PWC, 2020), displays rising attention to business transparency, mostly with admiration for sustainability practices and disclosure of their contribution to society. Notwithstanding, the International Federation of Accountants (IFAC, 2006) established a sustainability framework, aiding corporate institutions to integrate sustainability practices in their business line, procedure, and issues. The reporting aspect of IFAC's sustainability framework encompasses providing audit and Assurance on sustainability concert to improve the reliability of sustainability reports, integrating sustainability influences in financial statements, and using chronicle reporting to arrest sustainability info not included in financial statements. In line with the preceding, PWC suggested that it is necessary to discuss internally, identify relevant legal or professional regulatory obligations and interact with those in charge of governance or any other authorized experts to know the extent of their contribution to sustainable development (PWC, 2020). It has been observed that Economic, environmental, and social behaviours, government legislation, and organizational techniques that affect sustainability are all covered in greater detail in Sustainability Report (Nwobu et al., 2017). Therefore, the ability of social resources to provide long-term sustainable values for both the company and society is crucial to corporate sustainability, and this is true because it exists both within and outside the companies (Datar & Bootwala, 2014). Similarly, corporations can provide long-term financial, social,

environmental, and ethical value. This assertion has been outlined by Chukwujioko (2018), that corporate executives and institutions in Nigeria place a high value on community services.

Furthermore, Sustainability initiatives continue to be practised by firms in nations including South Africa, Australia, the USA, and the United Kingdom (Cingolani, 2013). However, because businesses operate in various economic, ecological, social, and government contexts, explaining the individual elements that influence each company's sustainability approach is critical. Compromise, the necessity of Sustainability Practices cannot be overemphasized; its antiquity is inadequate without comprehending the role of environmental policy in building responsiveness for corporate sustainability. Hence, sustainability initiatives extend to knowledge of economic, ecological and social practices, governance, corporate policies, and organizational techniques that affect corporate social responsibility (CSR). That is why it's considered akin concept of CSR (Hamid & Othman, 2019).

Therefore, corporate governance (CG) is believed to be the apex of transparency and disclosure in business. Also, it is essential to the success and accountability of companies and firm disclosure rules (Gutterman, 2020; Nwobu et al., 2017). In reckoning with the above, various administration agencies, stock market officials, the mass media, and academics have called for improved business transparency and sustainability practices to gauge performance in potentially risky areas, which might have resulted in an unpleasant event. That is why CG remains a set of structures and processes used to set and achieve goals and measure and evaluate performance that direct organizations in a specific way to succeed. Therefore, environmental policy encapsulates the guidelines, controls, and processes to guarantee that management works in the excellent interests of all stakeholders to maximize the firm's value, influencing sustainability practices. (Haladu & Salim, 2016).

Studies such as Haladu and Bin-Nashwan (2021) and Owolabi (2010) focus on environmental reporting in Nigeria (ER). They emphasized that corporations must report on their environmental policies, performances, management practices, and liabilities. Due to their differing dates and structures, environmental and social reports might differ significantly. Hence, this led sustainability reports to alter ecological statements, as affirmed by Christensen et al. (2021) and Kozlowski et al. (2015) that focusing on environmental practices in microclimate modification, waste management, water custom, ecological safety costs, ecological obligations, and conservatory gas secretions might be inconsistent. Businesses in Nigeria have yet to demonstrate how they respond to local challenges in Nigeria's context. Research on sustainability practices (SP) in Nigeria has shown that governance significantly

impacts sustainability initiatives (SI). Still, businesses are expected to be better off with a moderating effect of environmental policy (EP).

The duty of the businesses and the financial results imposed is an essential features of their openness that cannot be overlooked (Palepu et al., 2020). However, economic outcomes alone cannot connect a corporation's social and environmental impact. These factors are altering what it means to be valuable in business. External pressures from governance qualities, institutional characteristics, corporate managers' involvement, and EP plays a part in the revolution process to extend the content of sustainable initiatives. How these elements may be evaluated remains a common concern. There has not been much argument in Nigeria on sustainable measures resulting from external influences (Nwobu et al., 2018). Members of a company's institutional pitch comprise the Securities and exchange commission (SEC), the Central Bank of Nigeria (CBN), an accounting firm, or corporate managers, such as the Sustainability Framework, Board Committees, and Assurance may have an impact. As a result, businesses may account for sustainability while refining core operations.

This circumstance generates a severance amid Institutional Factors, Corporate managers' involvement, and SP, resulting in less accountability from the disclosure of sustainability information. The situation of these pressures might vary across diverse environmental and company circumstances. So, it is obligatory to scrutinize the external and internal conditions and to know how the densities impact a business participating in sustainability practices. Some studies concentrate on particular deposit money banks, manufacturing companies, insurance firms, the financial or non-financial segments of the listed corporations in Nigeria, or other service providers. Such as (Hamid & Ibrahim, 2020; Mohammed et al., 2016; Nwobu et al., 2017; Uwuigbe et al., 2018).

## **THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

Bartolacci et al.'s (2022) review using different theories to study social, environmental, and sustainability (SES) initiatives. Their review focused on the various theoretical methods and their interconnectedness, which showed a successful capacity to clarify firms' commitment to SES initiatives. Specifically, legitimacy and institutional theories were used to converse the developing submission of different notions to the pitch of sustainability initiatives. Although the emphasis on legitimacy is at the core of both institutional and legitimacy theories, both theories are built on different motivational assumptions that are important to unpack for advancing governance and Corporate Sustainability studies (Loh et al., 2015; Zaman et al.,

2022). Hence, companies adopt comparable structures and practices to those implemented and legitimized within an organizational setting. At the same time, the institutional theory emphasizes isomorphism (DiMaggio & Powell, 1983).

Regarding the above, the legion of literature was reviewed, such as annual reports, sustainability reports, and corporate websites. Nevertheless, Shakeel et al. (2018), Aharonson and Bort (2015), Kaspersen (2013), and Krongkaew-arreya (2013) have contended the need to measure institutional pressures through engagement with managers in business organizations. Moreso, Christopher and Chalu (2019) added that more consideration should be devoted to making organizations observe the benefits of sustainable initiatives rather than concentrating on devotion to institutional regulations. Nonetheless, economic institutions and policymakers are currently anxious about sustainability initiatives and advancement through providing investment and economic pronouncements that will influence humanity and the environment (Aliyu et al., 2017; Hassan & Aliyu, 2018).

### **Sustainability Initiative Practices**

According to the Brundtland Report of 1987, as in Keeble (1988), safeguarding current resources for future generations is at the heart of sustainable development. Regarding the business and manufacturing world, the word sustainability means meeting the needs of the company's current and future stakeholders (Ali et al., 2020). As such, it will lead to long-term stability, as essential for any nation. Therefore, it is necessary to combine income-measurable and contradictory economic, environmental, and social objectives (Nechi et al., 2020).

Several studies have emphasized the importance of Sustainability practices in the business world and disclosures from other countries (Zhang et al., 2021; Jamil et al., 2021; Peters & Romi, 2012; Thoradeniya et al., 2015). The deployment of SP could be affected by a company's choice. Therefore, Farneti and Guthrie (2009) also examine the sustainability Report's motivations. Dilling (2010), on the other hand, focuses on the known structures of organizations that apply GRI criteria to create their sustainability reports. Studies like Moussa et al. (2021) investigate the amount of corporate environmental targets disclosure (ETD) and evaluate analytically if environmental governance and performance influence the ETD of UK corporations. Correspondingly, sustainability practices in the Italian public sector are also deliberated by Farneti and Rammal (2013), and Thoradeniya et al. (2015) found that corporate managers commonly turn to services to create changes that result from SP.

In connection with the above, sustainability also considers a long-term financial gain with the detrimental effects of continuing current business practices on the environment and society (George et al., 2016; Jabbour et al., 2019). As a result, companies must track their progress toward more sustainable practices rather than concentrating on operational and economic coordination to advance their sustainability programs (Luthra et al., 2020; Verrier et al., 2016). Hence, combining external and internal pressures and organizational and contextual variables can spur or compel businesses to break down barriers and implement environmentally friendly, long-term solutions (Garza-Reyes, 2015). Consequently, executive actions must justify their context or objectives for relevant ramifications, so corporate managers' involvement in sustainability practices efforts is proportionate (Ofoegbu et al., 2018). As a result, any sustainable approach introduced by the company must meet the organization's sustainability performance outcomes. That is why Faber et al. (2018) mentioned two types of contextual elements: complexity, which deals with an organization's internal environment and uncertainty from an organization's exterior environment. Therefore, an establishment's structural, functional, and operational complexity must be managed to get the best possible outcomes from sustainable practices (Govindan & Sivakumar, 2016).

### **Institutional Factors**

Institutional factors refer to anything that changes organizational manners, especially in a business environment. Powell and Colyvas (2008) confirmed that institutional factors shape establishments and their behaviours in the business environment. The external environment influences a company's internal features (including what is reported in corporate disclosures); as explained in Institutional theory that external environment constituents exert distinct constraints on an organization's behaviours, including sustainability initiatives. Sustainability practices can be affected by institutional variables, including the Code of Corporate Governance, market frugality, and accounting firms, according to Nwobu et al. (2017), who also support this assumption. Nevertheless, Malik et al. (2023) documented that good corporate governance does not directly affect a company's value with a positive relationship.

### **Corporate Managers' Immersion**

Corporate Managers' Involvement refers to immersion services within business establishments to form change that outgrowth sustainability practices. To reduce the negative conduct of the managers, and to impose control that protects the common interests of all,

Aboukhadeer et al. (2023) suggest that the sustainability of the institution should also be maintained. As explained in legitimacy theory, corporate disclosure serves as a mechanism for corporations to demonstrate commitment to social norms (Sethi, 1975). Prior studies observed that research on the relationship between corporate managers' immersion, among other things, influences Sustainability practices (AbuRaya, 2012; Adnan et al., 2018; Bebbington et al., 1994; Ofoegbu et al., 2018). It alleged that corporate managers' immersion would influence sustainability practices through Assurance, Sustainability framework, and board committee.

### **Environmental Policy**

Environmental Policy implies the guideline and rules made by governmental regulatory bodies or agencies to help establishments achieves healthy corporate sustainability. A high and rising environmental exposure rate was found in research examining environmental agencies' efficiency on ecological reports, even though environmental reporting is relatively new in emerging economies (Gerged, 2021; Haladu & Salim, 2016). Furthermore, there were significant correlations between corporate governance qualities and sustainability disclosure (Gerged, 2020; Haladu and Salim, 2016). It was established that non-executive directors have an inverse effect on environmental exposure (Haladu and Salim, 2016).

Besides, Rahaman et al. (2004) examined the Volta River Authority's institutional legitimization similarly (VRA). An increase in VRA charges and crises is noted when institutions report incidents (Gerged, 2020). Research by Mulaessa and Lin (2021) reveals that the green revolution is positively associated with environmental principles. It desires sustainable business operations and green novelty, which can be enhanced. It's vital to note that environmental policy has a moderating role in promoting ecological behaviours to address social, economic, environmental, and governmental challenges (Mulaessa & Lin, 2021).

### **Relationship Between Institutional Factors and Sustainability Initiatives**

As institutional factors aim to shape organizations and their behaviours in the business environment, sustainability initiatives also centre on meeting the needs of the company's current and future stakeholders. Both have correlations regarding the Standards, rules, and administrations essential for corporate sustainability growth. The relationship can be seen further in corporate organizations such as Carbon Disclosure Project (CDP), the International Standard Organization (ISO), the Global Reporting Initiatives (GRI), the Greenhouse Gas Protocol (GGP), and the United Nations Global Compact (UNGC) are among the organizations



that have developed these guiding principles (Muller, 2011). This interconnectivity is also present in accounting firms like KPMG (Klynveld Peat Marwick Goerdeler), PwC, Ernst & Young, Deloitte, and other non-accounting companies are responsible for ensuring that sustainability disclosures and reporting are accurate (Bill, 2014).

Considering the above, the relationships have interlinked UN Sustainable Stock Exchange (UNSSE) to provide methods for stock exchanges to work with firms, regulators, and investors to promote transparency and sustainability disclosure (Sustainable Stock Exchange Brochure, 2012). These are similar to the Central Bank of Nigeria (CBN) in mandating Banks submit sustainability reports in September 2012 (CBN, 2012). However, the SEC's Code of Corporate Governance (CGC) is less detailed than CBN's Sustainability Reporting Standards. It aligns with the 2011 CGC of the Nigerian SEC, in which a company's stakeholders can be identified. They care about the well-being of shareholders and other stakeholders they have undertaken.

### **Relationship Between Corporate Managers' Immersion and Sustainability Initiatives**

According to legitimacy theory, corporate disclosure serves as a mechanism for corporations to demonstrate commitment to social norms (Sethi, 1975). Prior studies observed that research on the relationship between corporate managers' immersion, among other things, influences Sustainability practices (AbuRaya, 2012; Adnan et al., 2018; Bebbington et al., 1994; Ofoegbu et al., 2018). Thus, Abu Raya, 2012 documented that business environmental disclosure in the United Kingdom is examined by controlling for some business characteristics and a full valuation of the certification and assessment of challenges related to sustainability practices.

According to Adnan et al. (2018), when corporate governance qualities observe managers' resourcefulness, the number and quality of corporate environmental exposure directed to diverse stakeholders are boosted. Ofoegbu (2018) affirmed that listed companies in emerging economies that use integrated and traditional reporting frameworks differ significantly in the amount of environmental information they provide. Ofoegbu further emphasizes the evidence that provided the impact of company board features on environmental disclosure. It alleged that corporate managers' immersion would influence sustainability practices through its framework, Assurance, and board committee. Prior studies assert that companies with Chief Executive Officers (CEOs) who place a higher value on social

responsibility reporting produce more reports than those whose CEOs place a lower value on it (Baele, 2012; Nwobu et al., 2018).

On Assurance, Prior evidence supported the notion that external verification is a mechanism for evaluating the trustworthiness and openness of business. In other words, social and environmental practices are pointless if they cannot be independently verified ( Nwobu, 2017; Saleh et al., 2010). The external environment, such as the board of directors, influences a company's internal features (including sustainability practices). Prior studies from Naciti (2019), Naciti et al. (2022) and Kamaludin et al. (2022) reported that Sustainability practice could be better monitored when the board of directors is involved in its oversight.

### **The Moderating Role of Environmental Policy**

As a result of global warming, the concept of environmental controls was first presented in the 1970s (Javeed et al., 2020). Ecological restrictions critically influence the development of new business practices (Porter, 1991). According to Luo et al. (2021), environmental rules compel businesses to pursue greener forms of innovation—environmental regulations create green land by reducing pollution-related behaviours and increasing product production. Similarly, Zhang et al. (2019) found that protecting ecological life was essential strategic practice for Chinese enterprises using green innovation. But the Chinese Government's attention to this issue should correct this situation (Stucki et al., 2018).

We can turn to Porter for information on the positive effects of environmental rules on business innovation practices to better understand how environmental regulations affect green innovation. All environmental restrictions benefit green innovation, and all environmental regulations positively affect green innovation (Zhang et al., 2021). It is believed that the reversed U-shape connection between environmental principles and green novelty, for instance, was identified by Song et al. (2013). As a result of well-designed environmental rules, new or better products for competitiveness can be created while adhering to social and environmental norms. Additionally, the company's reputation in the market is bolstered due to green innovation and environmental rules. Hence, green innovation has an inherent flow Firms in China are increasingly considering environmental regulations to ensure the long-term viability of their organizations (Fan et al., 2021).

Song et al. (2013) also pointed out that environmental legislation is a critical driver for enhancing green innovation practices in firms of all kinds. Regulations aimed at reducing the negative impact of products on the environment have been incorporated into environmental

strategies since the beginning of product development. That is why, Punishment remains one of the principal efforts of ecological regulations (López-Gamero et al., 2010). Companies that break environmental standards may be punished and forced to adhere to environmental regulations as part of environmental policies by the appropriate authorities (Graafland & Smid, 2017). Additional environmental rules allow companies to improve their environmental policies to keep goodwill on the global market. As a result, companies are taking proactive environmental measures (Horbach, 2008).

To ensure that proactive environmental measures are being carried out, rules that play an essential role (Chen et al., 2016). Since the expense of environmental safety is further minimized, corporations are encouraged to adopt the correct ecological strategies, and complementing environmental rules combine both reactive and proactive environmental tactics (Aragón-Correa et al., 2004). The removal of harmful environmental impacts may be rewarded by governments, such as a grant or other incentives, and motivating enterprises to manage costs, thereby protecting the environment through an effective technique (Mulaessa & Lin, 2021).

### **Company Size and Sustainability Initiatives**

Prior empirical studies including Sroufe and Gopalakrishna-Remani (2019), Rahman et al. (2011), Khan (2010), Tagesson et al. (2009), Ho and Taylor (2007), Haniffa and Cooke (2005), and Ghazali (2007). have documented positive relationship between the firm's size and sustainability initiatives. Thus, a positive relationship is expected. However, Thomas and Indriaty (2020) found that company size was insignificant with sustainability initiatives. Therefore, it concluded that the company size could not improve the sustainability initiatives. Prior research shows that business is associated with the extent and quality of sustainability initiatives (Ching et al., 2017; Abd-Mutalib et al., 2014; Amran & Haniffa, 2011; Herda et al., 2012). Different firms draw the anxiety of stakeholders about other issues.

Accordingly, a significant relationship is projected between industry type and the quality of sustainability initiatives. It is not pure how the size of a firm affects its initiatives on environmental issues. On the other hand, Abdulsalam and Babangida (2020) explore the significant effect of sales and firm size on the sustainability initiatives of oil and gas firms in Nigeria. Their result found that firm size positively affects the country's sustainability initiatives and the profitability of the companies. Similarly, Eneh (2019) examines the impact of firm size on sustainability initiatives in Nigeria. The study also found that firm size positively and significantly impacts sustainability initiatives.

### **Company Age and Sustainability Initiatives**

As is emphatically explained in the Stakeholder theory, consideration regarding the potentials of various stakeholder groups and their influence on corporate policies cannot be overemphasized (Darškuvienė & Bendoraitienė, 2014). Prior studies such as Basuony et al. (2014) and Godos-Díez et al. (2011) show a significant and positive affiliation between firm age and CSR practices. They claim that larger and older companies positively affect profitability, leading to enhanced use of better CSR practices.

Although, Younis and Sundarakani (2020) stated that company age has no association with sustainability initiatives. Similarly, a study of sustainability practices on intellectual capital among Danish companies led by Bukh et al. (2005) found that age did not affect sustainability practices. For example, a study by Benjamin et al. (2017) documented that firm age is significant and positively related to the environmental sustainability practices of listed manufacturing firms in Nigeria. It infers that if the age of a firm rises, its level of environmental sustainability practices also increases. As been buttressed by legitimacy theory which postulates that if a business operates longer, more sustainability practices will be desired with the outside community.

### **Institutional Theory**

This theory implies that the external environment constituents exert distinct constraints on an organization's behaviour, including sustainability initiatives. It is reinforced by Nwobu et al. (2017), who assert that institutional factors such as the Code of CG, marketplace frugality, and accounting firms can impact the SP. Even though, Aliyu et al. (2023) added that law and order and political stability could also be used to account for institutional factors. Likewise, Malik et al. (2023) documented that good corporate governance does not directly affect a company's values. Notwithstanding, this study developed hypotheses on the factors impacting corporate sustainability practices as follows;

### **SECs' CG Code of 2011 and Sustainability Initiatives**

In line with institutional theory, every force – forcible, prescriptive, and imitative – might affect the extent and value of sustainability stated by corporations (Sethi, 1975). Prior empirical evidence confirmed that government rules and trade regulators influence SP (Ioannou & Serafeim, 2014; Cahaya et al., 2015; Hess, 2014; Devi & Gutman, 2015). The findings from Ioannou & Serafeim (2014) established an increased propensity by treated firms and enhanced

disclosure credibility following tight regulations. Thus, this supports the result of Hess (2014), who reported that most US largest corporations produce sustainability reports after Sarbanes-Oxley (2002). Consistent with institutional theory and prior empirical evidence, this study hypothesized that:

*H1a: There is a relationship between SEC's Code of corporate governance 2011 and sustainability initiatives.*

### **CBN's Guidelines and Sustainability Initiatives**

Zhao (2011) observed that various administrative forces could influence organizations' SP. The structures of businesses can include regulators, professional organizations, and consultancy firms. The new institutional theory argued that companies are involved in internal and external institutional settings (Meyer & Rowan, 1977; DiMaggio & Powell, 2000). CBN's guidelines in this study are part of the institutional settings for corporate sustainability practices, especially for banks and other financial institutions. Empirical evidence shows that mandatory sustainability reports might not be an effective policy mechanism unless used in a system that can utilize the information effectively to make corporations change their policies and practices (Devi & Gutman, 2015; Bansal et al., 2023).

In contrast, Ioannou and Serafeim (2014) documented that treated firms' disclosure credibility and propensity on sustainability had increased after the tight regulations. Based on these arguments, the study assumes that CBN guidelines can influence SI practices. Therefore, the study hypothesizes as follows:

*H1b: There is a relationship between CBN's guidelines and sustainability initiatives.*

### **Accounting Firms and Sustainability Initiatives**

Mandative pressure occurs when new reporting methods spread through professional networks (Upton & Fleishman, 2020). Hence, Meeting with accounting firms is an excellent way for business leaders to become familiar with more outdated reporting methods in the sustainability practice. The institutional theory assumes accountants can provide consultancy services beyond audit and Assurance (Kolk & Margineantu, 2009). Professional advice on preparing reports, engaging shareholders, and handling moral issues jobs are some of the services offered by this firm. Likewise, the institutional theory assumes that a Big Four accounting firm that provides sustainability services to customers in general audits and provides Assurance on the financial statements of the target enterprises may lead to increasing corporate

disclosures on sustainability. Deloitte (2016;2020) observed identifying and prioritizing sustainability-related risks are part of the opportunities aided in tracking sustainability practices. Consistent with this argument, the study assumes that the Big 4 can impact sustainability practices initiatives. Therefore, it is hypothesized as follows:

*H1c: There is a relationship between accounting firms and sustainability initiatives.*

### **Corporate Managers' Immersion**

legitimacy theory entails corporate disclosure, which serves as a mechanism for corporations to demonstrate commitment to social norms (Sethi, 1975). Prior studies observed that research on the relationship between corporate managers' immersion, among other things, influences SI practices (AbuRaya, 2012; Adnan et al., 2018; Bebbington et al., 1994; Ofoegbu et al., 2018). It agreed that corporate managers' immersion would influence SI practices through sustainability framework, Assurance, and board committees. Therefore, this study intends to formulate hypotheses on the effect of a sustainability framework, Assurance, and board committee on SI practices.

### **Assurance and Sustainability Initiatives**

Normally, Firms produce SDs when a regulation or social norm is violated. Thus, a threat to the business is considered. However, companies that face legitimacy issues are more likely to make their sustainability performance available to the public to appease them (Lai et al., 2016; Guo & Zhao, 2011). Preliminary evidence supports the notion that external verification is a mechanism for evaluating the trustworthiness and openness of business reporting. In other words, social and environmental reports are pointless if they cannot be independently verified (Nwobu, 2017; Saleh et al., 2010a). Consistent with the LT, empirically, Nwobu et al. (2021) established that oil and gas companies fully disclosed their community investment by legitimizing smokescreen ecological pollution on their annual reports.

In contrast, Sawani et al. (2010) revealed that information relating to sustainability disclosure is integrated into the annual report with no assurance statement due to low awareness. Consistent with LT, which presumed that companies that face legitimacy issues are more likely to make their sustainability performance available to the public to appease them. Therefore, this study assumes that Assurance will influence corporate managers' immersion in SI practices. Hence, It is hypothesized as follows:

*H2a: There is a relationship between assurance and sustainability initiatives.*

### **Sustainability Framework and Sustainability Initiatives**

Legitimacy theory presumed that SI practices do not appear to have diminishing criticism due to lack of attention. It further suggests that the credibility of SI practices can be assessed through a sustainability framework (Sethi, 1975). Prior studies assert that companies with CEOs who place a higher value on social responsibility issues produce more reports than those whose CEOs place a lower value on it (Baele, 2012; Nwobu et al., 2018). According to Nwobu et al. (2018), experiential evidence displayed that the sustainability framework inclined sustainability practices. In addition, Haladu and Bin-Nashwan (2021) also established a positive relationship between major corporate characteristics, including sustainability framework and practices. Consistent with LT and prior empirical findings, this study assumes a sustainability framework would influence sustainability initiatives practices. Therefore, it is hypothesized as follows:

***H2b:** There is a relationship between sustainability framework and sustainability initiatives.*

### **Board Committees and Sustainability Initiatives**

According to legitimacy theory, an organization's actions align with widely held social views (Emtairah & Mont, 2008). Organizations can make changes in sustainability procedures to meet society's needs. In line with the preceding, Powell and Colyvas (2008) believed that institutional factors shape organizations and their behaviour in the business environment. The external environment, such as the board of directors, influences a company's internal features (including sustainability practices). Prior studies such as Naciti et al. (2022), Kamaludin et al. (2022), DeSimone (2014) and Mitra et al. (2015) reported that SP could be better monitored when the board of directors oversees it. Empirical evidence demonstrated that directors' attitudes toward SP influence how much information they provide on the effectiveness of SI practices (Mitra et al., 2015; Naciti et al., 2022).

In contrast, Amran et al. (2014) documented that firm panels fail to monitor SP due to the smaller board size to form a separate committee to oversee SP issues adequately. Consistent with the above arguments, this study presumes that the board committee on sustainability would influence SP. Therefore, it is hypothesized as follows:

***H2c:** There is a relationship between the board committee and sustainability initiatives.*

### **Moderating the Effect of Environmental Policy on CG Attributes and Sustainability Initiatives**

It assumes that establishing legitimacy among the institutions in the corporate environment is a common strategy for enterprises to be recognized by society. Business organizations are inclined by their business environment's rules, norms, and values (Emtairah & Mont, 2008). It shows that IT focuses on how corporations respond to institutions' field members' rules, resolutions, and expectations. As Powell and Colyvas (2008) argued, institutional factors shape organizations, and their behaviour in the business environment, and the external environment influences a company's internal features (including environmental policy). It is believed that environmental policies and the responsibilities of companies have become one of the biggest challenges facing developing countries' economic and social systems, as documented by Hasan et al. (2023). They added that companies' environmental information is meant to analyse their problems and real risks associated with the level of the company's sustainability effectiveness (Hasan et al., 2023). Although, Alnaim et al. (2023) contended that managers could handle environmental challenges more effectively and efficiently by partaking corporate sustainability green politics into the business strategy framework.

Empirically, Haladu and Bin-Nashwan (2021) believe that environmental policy has significantly moderated the connection between business attributes and sustainability practices in Nigeria. So, it validated the findings of Farooque and Ahulu (2015), who documented that corporate internal and environmental policies influence SI practices. Based on the above arguments, this study assumes that environmental policy would moderate the relationship between CG attributes and SI practices. Therefore, the following hypotheses are formulated:

**H3a:** Environmental policy moderates the relationship between SEC's Code of corporate governance 2011 and sustainability initiatives.

**H3b:** Environmental policy moderates the relationship between CBN's guidelines and sustainability initiatives.

**H3c:** Environmental policy moderates the relationship between accounting firms and sustainability initiatives.

**H3d:** Environmental policy moderates the relationship between assurance and sustainability initiatives.

**H3e:** Environmental policy moderates the relationship between sustainability framework and sustainability initiatives.



**H3f:** Environmental policy moderates the relationship between the board committee and sustainability initiatives.

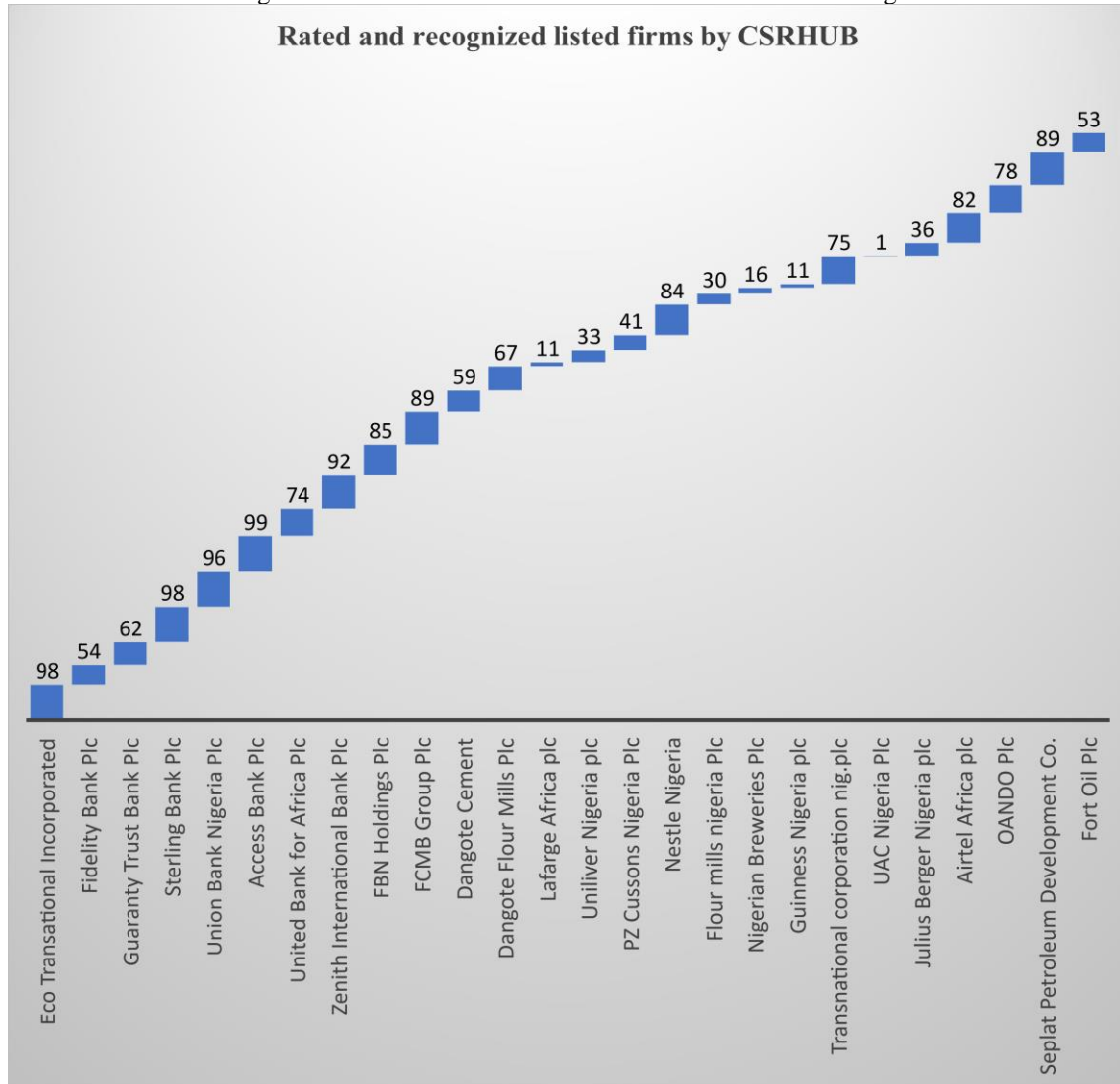
## **METHODOLOGY**

This research concentrates on the listed firms evaluated and classified by Nigeria's World CSR Consensus rating, counting all the financial and non-financial segments. Data for this study were extracted manually by searching from a third-party website (i.e., CSRHUB) for all the listed companies on Nigerian Stock Exchange. Assessment of a company's duties in reassuring environmentally friendly practices has been focused on. We consider it essential to study the differences in sustainability initiatives between financial and non-financial segments.

## **RESULTS AND DISCUSSION**

The study found that just twenty-six (26) companies in Nigeria have betrothed a posture on corporate social responsibility. As revealed in Figure 1 below, Access Bank has the uppermost proportion of 99% input to CSR, shadowed by 98% contributions from Ecobank and Starling Bank, respectively. In disparity, Guarantee Trust and Fidelity Bank have a lower rate of 62 and 54. Meanwhile, from the non-financial segment, Seplat Petroleum has the peak percentage contribution of 89 to CSR under the oil and gas industries, tailed by Nestle's plc, which contributed 84% under the consumer goods industries. Furthermore, despite the long years in operation and patronage from society, Lafarge Africa plc, Guinness Nigeria plc, and UAC Nigeria plc have the bottommost contribution to CSR through 11,11 and 1percents, respectively.

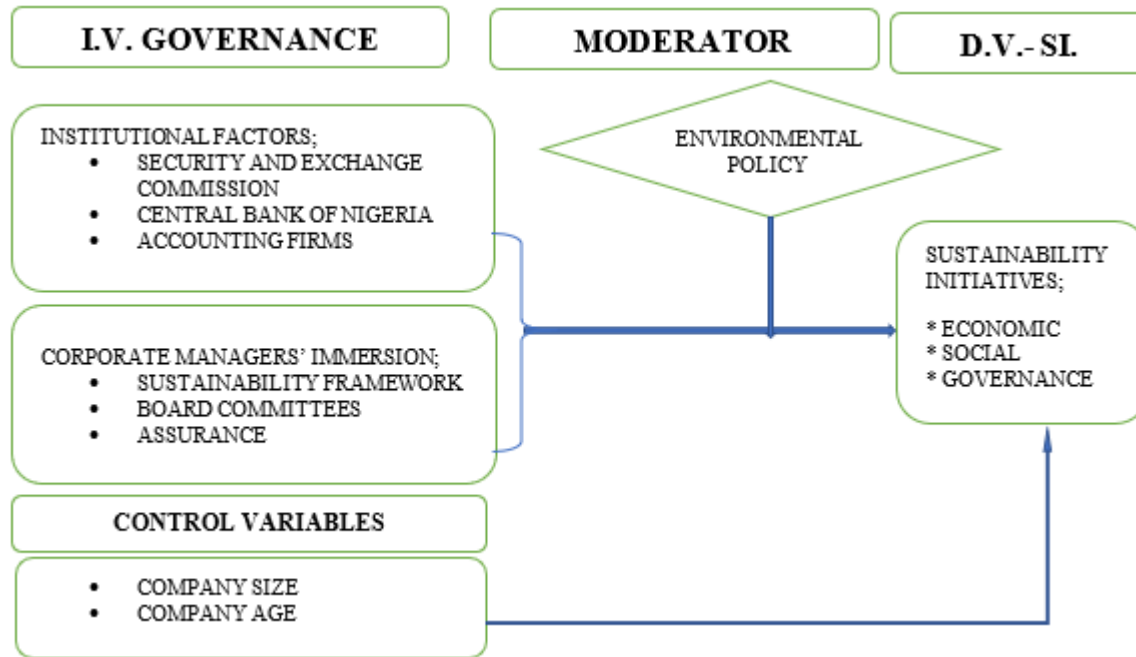
Figure 1. Financial and Non-Financial Services CSR % Rating



Source: CSRHUB (11, 2021)

Hence, there is a need to examine the variability in sustainability initiative practices amongst listed firms in Nigeria. Although ninety (90) companies out of Nigeria's 156 publicly traded firms have been evaluated and recognized by CSRHUB, a small percentage of the total displayed their input to CSR. Thus, in line with the preceding, the core objective of this study is to bridge the gap and add to the body of knowledge by proposing the moderating role of Environmental Policy to strengthen the relationship between institutional factors and corporate managers' immersion towards sustainability practices by quoted firms in Nigeria, as presented in figure 2, in anticipation of improved performance in their corporate sustainability.

Figure 2 Proposed model



Source: Authors compilation

Several scholars have theoretically developed research in the governance and corporate sustainability pitch. Numerous kinds of literature were reviewed regarding governance attributes and sustainability initiatives. But the evidence from the literature has indicated that more is needed on governance and corporate sustainability (Jain & Jamali, 2016; Aguilera et al., 2015). Hence, the following research framework is designed above; As shown in Figure 2, a conceptual framework was created based on the information shared throughout the conversation. Environmental policy and sustainability initiatives are better served when governance qualities (institutional factors and corporate managers' involvement) are considered.

## CONCLUSION

Previous literature revealed that Institutional factors and corporate managers' immersion are related to sustainability initiatives. In particular, Olalekan (2020) believe that adherence to acceptable ethical standards or principles and execution of social responsibilities are *Sin qua non* to organizational effectiveness. Hence, the proposed research model posits that environmental policy as a moderator will improve the link between the surrogating institutional factors and sustainability practices. Similarly, it will enhance the connections between corporate managers' immersions and sustainability practices. Therefore, there are some potential benefits to be drawn in this research from theoretical inferences and the hypothesis

developed that provided additional empirical evidence about sustainability issues concerning businesses in Nigeria.

Similarly, this study contributes to the body of knowledge by proving the existence of a significant influence of environmental policy on the institutional factor variables and corporate managers' immersion towards sustainability practices. According to the framework, the environmental policy is proposed as a moderator between institutional factor variables, Business managers' immersion, and sustainability initiatives. The primary shortcoming of this research is that it only included companies listed on the Nigerian Stock Exchange that are rated and ranked by the CSRHUB, a third-party website for world ratings of companies across the globe as participants. Equally, the assessment was made as of November 2021, and future studies might consider time intervals or variants. In addition, companies in Nigeria that are not listed on the NSE are nevertheless possible. Such companies' sustainability practices can be better understood by further investigating their sustainability initiatives.

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