

CORPORATE GOVERNANCE AND SUSTAINABILITY REPORTING IN SRI LANKA

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ABSTRACT

Sustainability reporting is a practice by which companies disclose their environmental, social, and governance impacts. It includes providing insight into how the company manages its environmental footprint, social responsibility, and governance practices and measuring and communicating information related to the company's sustainability efforts and results. Corporate sustainability reporting has become essential in today's business environment as it serves as a critical tool for improving transparency, engaging stakeholders, and encouraging responsible business practices. This study explores how corporate governance affects sustainability reporting in Sri Lanka. By addressing the inconsistencies found in international research and filling the empirical gap in Sri Lankan-centric studies, it seeks to provide fresh insight and clarity into this critical relationship. A quantitative methodology was used for the data collection. The study population represents all institutions listed on the Colombo Stock Exchange (CSE). When the sample was selected, 44 companies were listed in the food, beverage, and tobacco sectors between 2020 and 2022. The independent variable, "corporate governance," was assessed through board size, board independence, board gender diversity, and board expertise. The dependent variable, "sustainability reporting," was assessed using a validated scoring system aligned with Global Reporting Initiative (GRI) standards. The secondary data collected were analyzed using descriptive statistics, correlation, and regression analyses. The findings revealed a significant positive effect of the corporate governance attributes of board size, board independence, board gender diversity, and board expertise on sustainability reporting of companies in the food, beverage, and tobacco sectors in Sri Lanka. These findings provide valuable insights for policymakers to develop better governance policies to increase transparency and accountability. Additionally, these results provide a benchmark for companies to follow best practices and boost stakeholder confidence. Moreover, this study fills a critical gap in Sri Lankan-centric research, encouraging further research in different contexts.

Keywords: Board expertise, board gender diversity, board independence, board size, sustainability reporting