**Environmental and social sustainability accounting practices in Ghana; corporate governance perspective.**

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# **1. Introduction**

The fact that corporate governance in developing economies with huge sustainability issues is absolutely a critical component, thus Environmental and social sustainability accounting (ESSA) has come into being (Juusola and Srouji 2022). It is argued for corporate accountability in the reporting of sustainability from the environmental degradation and social inequality exacerbated by raging industrialization and urbanization in Ghana. However, whilst the Ghana Companies Act (Act 992) as amended and the Securities and Exchange Commission (SEC) Corporate Governance Code provide a regulatory muscle to encourage sustainability accounting practices, they remain largely voluntary and inconsistent as observed by AMPEDU et al 2024. In this regard, this research intends to investigate how corporate governance affects ESSA practices among Ghanaian firms, while critically assessing the efficiency of governance mechanisms in guiding sustainability reporting.

The way corporate governance impacts the determination of the integration of environmental or social concerns on the financial reporting structures of an organization is a role that corporate governance plays. Ghanaian corporate landscape is noted to be concentrated in terms of ownership structures, weak enforcement of the sustainability regulations, and increases in demand for corporate transparency (Bayong et al., 2024). According to the existing literature, existing board composition, influence and regulatory compliance play a significant role in sustainability accounting practice (Moses et al., 2020). Nevertheless, the levels of commitment of Ghanaian firms to sustainability disclosure are not uniform as they give more weight to financial performance than long term sustainability goals. A concern is whether governance structures of Ghana are sufficiently able to enforce compatibility between sustainability integration or it constitutes a symbolic compliance exercise.

Although the world is pushing for sustainability, this is not the case in Ghana, as there exists a deficit of research and research base on the correlation between ESSA and corporate governance. Previous studies on sustainability reporting in Ghana have been largely on the implications on financial performance rather than accountability that emanates from governance issues (Hossain et al., 2024). Additionally, the fact that sustainability reporting in Ghana is voluntary makes a firm select disclosure that leads to greenwashing and inconsistent reporting standards (Matakanye & Poll, 2021). As such, there is a need for a systematic investigation of how corporate governance mechanisms impact ESSA practices adoption, quality and consistency within Ghanaian firms.

The study applies a mixed method approach that incorporates both quantitative and qualitative approaches to get a full understanding of governance structures and sustainability accounting in Ghana. The research will assist in policy reform and corporate governance improvement in Ghana based on the analysis of corporate disclosures, regulatory policies, and governance mechanisms. Beyond the specifics of this particular study, this study is particularly relevant as Ghana’s sustainability reporting landscape continues to evolve to, among other things, align with international sustainability reporting benchmarks, the International Sustainability Reporting Tool (GRI) and Sustainability Accounting Standards Board (SASB) framework requirements. The findings of this research will provide practical knowledge for policy makers, regulators and corporate establishments to build a strong sustainability governance framework and corporate accountability in Ghana.

**Problem Statement**

Ghana has inconsistent adoption of environmental and social sustainability accounting (ESSA), yet there are significant variations of firms. The practice of ESSA in Ghana has not been well understood with the role played by corporate governance in influencing such practices. It is well known that board composition, ownership structure, opportunity and constraint, stakeholder influence, regulation will affect sustainability accounting but empirical evidence on their efficacy is limited. Moreover, lack of a common reporting intervals emphasizes on the inconsistency of disclosure practices in Ghana. The purpose of this study is to bridge these gaps by reviewing the effect of corporate governance factors on ESSA practices in Ghanaian companies and implications for the regulatory policy and corporate accountability.

**Primary Research Question:**

How do corporate governance mechanisms influence environmental and social sustainability accounting practices among firms in Ghana?

# **2. Literature Review**

The discourse regarding sustainability accounting in corporate governance has been widespread, but its implementation in Ghana is limited, fragmented, and is not developed. Although regulatory pressures and corporate social responsibility (CSR) initiatives are growing in Ghana, firms report inconsistencies in their reports of the environmental and social sustainability efforts (Amoah & Eweje, 2021). This section gives a critical review of literature on environmental and social sustainability accounting (ESSA) in the scope of the Ghanaian corporate governance framework as it identifies gaps and challenges which warrant further research.

## **2.1 Concept of Environmental and Social Sustainability Accounting (ESSA)**

Extended financial accounting or simply ESSA is the extension of the financial accounting which incorporates the environmental and social factors for the disclosure of corporations and makes the corporations account for the social and ecological impacts (Islam, 2023). Sustainability accounting for firms in Ghana remains largely voluntary and, as such, there is little regulation that encourages non-financial information reporting (Appiah-Konadu et al., 2022). There is a global framework, including the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), which provide some guidelines for sustainability disclosure but these frameworks have not been adopted in Ghana because of weak institutional pressures and weak stakeholder activism (Carl, 2023).

Despite participation in sustainability/CES reporting by some firms in Ghana, especially multinational corporations (MNCs), many of these disclosures are shallow and (not) comparable. Results of studies indicate that Ghanaian firms adopt symbolic more than substantive sustainability reporting, where sustainability disclosures used as a legitimacy tool, not as a genuine accountability vehicle (Tawiah, 2023). Additionally, the non-existence of standardized reporting frameworks in Ghana permits selective disclosures which creates a difficulty for stakeholders to examine firms' actual sustainability performance (Simpson et al., 2021).

## **2.2 Corporate Governance and Sustainability in Ghana**

Nevertheless, corporate governance structures have a vital role in driving sustainability initiatives for Ghanaian firms, but the country’s firms face major governance challenges including inefficiencies in the boards, lack of transparency, and regulatory laxity (Torku & Laryea, 2021). The Companies Act 2019 (ACT 992) and SEC Corporate Governance Code, which dictate the act of being transparent and accountable, also define the Ghanaian corporate governance landscape. Nevertheless, these frameworks give restricted counsel about sustainability disclosure that, in turn, brings about indiscreetness in the practices of sustainability accounting across various firms (Hossain et al., 2024).

Besides, Ownership structure is another important determinant of sustainability practice. The firm structures in Ghana are characterized by a high concentration of ownership with family-owned businesses and state-controlled enterprises being the bulk of them. As a result, there are often conflicts of interest due to central shareholders overweighing short term financial gains as compared to the long term sustainability goals (Saeed et al., 2024). Also, board independence is an issue for most firms as they have few independent diversified directors that can demand stronger sustainability governance (Doku et al., 2023). Sustainability accounting, however, is of secondary importance to most firms until they have robust governance mechanisms in place.

## **2.3 Research Gap**

However, despite the increasing reliance of sustainability accounting research, very little light has been shed on the role of corporate governance in ESSA in the Ghanaian setting. Most of the existing studies analyze the financial performance implications of reporting on sustainability, but the mechanisms governing the adoption or omission of the same have not been well studied (Tawiah, 2023). Moreover, the sustainability reporting practice of most Ghanaian firms is voluntary and hence does not lead to consistency and comparability (Saeed et al., 2024).

There is a significant research gap around how intensity of board composition, stakeholder engagement and regulatory framework positively affects sustainability accounting practices in Ghana. International studies suggest that governance mechanisms are positively associated with the adoption and integrity of sustainability reporting but there exist unique challenges of governance in the Ghanaian corporate environment (Simpson et al. 2021).

Furthermore, there is little empirical evidence about the motives, which drive firms in Ghana to disclose their sustainability in the form of strategic governance tool or symbolic exercise for corporate legitimacy. Addressing these gaps, this study aims to develop a comprehensive understanding of how corporate governance impacts sustainability accounting practices in Ghana using a combined approach, i.e., a mixed method approach to reflect both quantitative trend as well as qualitative basis.

# **3. Research Methodology**

The research methodology is intended to critically evaluate the effect of corporate governance on environmental social sustainability accounting (ESSA) in the Ghanaian firms. In view of the complexity of sustainability accounting practices and governance structure, a mixed methods approach is taken to achieve quantitative generalizability as well as qualitative depth (Amadi, 2021).

## **3.1 Research Design**

This study applies to the explanatory sequential mixed method design using both quantitative and qualitative methods to establish statistical relationships, and to explain the underlying governance dynamics. This approach is justified by the fact that notwithstanding the presence of quantitative data, motivations and challenges fueling the implementation of sustainability accounting practices would not be fully covered by them (Johansson & Winge, 2023). An approach of cross-sectional research of corporate governance mechanisms and sustainability disclosures at a particular time, reflecting the current trend and the challenges hindering the firms in Ghana.

## **3.3 Data Collection Methods**

Survey questionnaires and semi structured interviews are integrated and used to collect primary data. The survey part of the study contains structured questionnaires about governance aspects, such as the level of board independence and ownership structure, as well as sustainability accounting practice, such as the level of disclosure and regulatory compliance. I discuss, based on interviews, decision making dynamics, regulatory challenges and motivations for sustainability reporting in Ghana.

This dual method approach provides triangulation whereby the findings are cross verified by quantitative patterns with qualitative explanations (Amadi, 2021).

## **3.4 Data Analysis Techniques**

The quantitative analysis includes descriptive statistics of governance attributes and sustainability accounting practice. To test hypotheses on governance sustainability relationship, multiple regression analysis is used to control for industry effects. Further, there is moderation analysis to determine the influence of regulatory enforcement on governance constrained sustainability accounting.

The governance motivations, the disclosure barriers and the regulatory influences are identified using a thematic analysis in order to follow qualitative analysis. Alam (2021) codes and analyzes transcripts systematically using NVivo software. The study integrates these analytical techniques away from the surface level correlations to push further to understand the mechanisms of how sustainability accounting is occurring in Ghana.

## **3.5** **Variable Operationalization**

This paper examines the relationship between corporate governance factors and environmental and social sustainability accounting (ESSA) practices in Ghana. Through sustainability disclosures, environmental reporting and the CSR initiatives, the dependent variable, ESSA practices, is measured. The independent variables include board composition, percentage of ownership held by outside directors, level of stakeholder influence and regulatory compliance. It is expected that board composition, such as the size, independence, and diversity of boards, will affect the quality and scope of sustainability disclosure where more diverse and independent boards ought to engender transparency and accountability (Agyemang & Boachie, 2022). Depending on the ownership structure, ownership can be established to a firm’s commitment to sustainability, as institutional (Boateng & Abdulai, 2020) or managerial investors often demand stricter environmental and social accountability of firms. Furthermore, the influence of stakeholders, such as investors, government and society, will influence corporate sustainability initiatives as companies aim to remain legitimate and conform to stakeholders’ expectations (Amponsah-Tawiah & Dartey-Baah, 2021). Finally, governance factors are expected to translate into tangible sustainability practices less so than they were previously, as regulatory compliance, in particular adherence to environmental policies and sustainability reporting standards, is anticipated. The study analyzes these interrelationships offering empirical insights to understanding the governance mechanisms that drive adoption of the ESSA in Ghana corporate sector.

## **4. Expected Findings**

This study is expected to demonstrate a strong relationship between corporate governance structures and environmental and social sustainability accounting (ESSA) practices in Ghana. For example, specifically, it is assumed that stronger governance mechanisms, including independent boards and greater institutional ownership, will be linked to higher sustainability disclosure. However, this relationship will be influenced by regulatory enforcement especially because Ghana’s compliance landscape is evolving (Appiah Konadu, 2022). Furthermore, the qualitative findings might point out the governance barriers hindering sustainability reporting in terms of lack of expertise or conflicting interests of the stakeholders.

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