Received: 15 August 2024 | **Revised:** 19 November 2024 | **Accepted:** 27 December 2024 | **e-ISSN:** 3085-7813

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SYSTEMATIC LITERATURE REVIEW

CORPORATE GOVERNANCE AND ESG: TRENDS AND PRACTICES

GOVERNANÇA CORPORATIVA E ESG: TENDÊNCIAS E PRÁTICAS

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How to cite this article:

Shibao, F., Cristina da Silva, F., Conceição, M. M., & Gayubas, M. (2024). Corporate Governance and ESG: Trends and Practices. *Journal of Sustainable Competitive Intelligence, 14*, e0465. https://doi.org/10.24883/eagleSustainable.v14i.465

ABSTRACT

Purpose: This study aims to explore the integration between Corporate Governance (CG) and Environmental, Social, and Governance (ESG) practices, seeking to understand their impact on ESG indicators and corporate sustainability. It intends to highlight the relevance of CG practices aligned with ESG criteria.

Methodology/approach: A systematic literature review of high-impact articles published between 2018 and 2023 was adopted, focusing on relevant CG attributes and ESG indicators.

Originality/Relevance: It was identified that CG practices aligned with ESG improve sustainability indicators, highlighting the importance of gender diversity on the board and sustainability committees.

Key findings: The study theoretically contributes to the CG and ESG literature, offering practical insights for implementing sustainable practices and suggesting a path to sustainability leadership.

Theoretical/methodological contributions: It contributes to the theory of management and accounting, highlighting the integration between CG and ESG as essential for corporate sustainability.

Keywords: Corporate Governance (CG); Environmental, Social, and Governance (ESG); Sustainability Indicators; Systematic Literature Review; Board Diversity.

DOI: https://doi.org/10.24883/eagleSustainable.v14i.465

RESUMO

Objetivo: Este estudo visou explorar a integração entre Governança Corporativa (GC) e práticas de Environmental, Social, and Governance (ESG), buscando entender seu impacto nos indicadores ESG e na sustentabilidade corporativa. Pretende-se evidenciar a relevância de práticas de GC alinhadas aos critérios ESG.

Metodologia/abordagem: Adotou-se uma revisão sistemática da literatura de artigos de alto impacto publicados entre 2018 e 2023, focando em atributos de GC e indicadores ESG relevantes.

Originalidade/Relevância: Identificou-se que práticas de GC alinhadas a ESG melhoram os indicadores de sustentabilidade, destacando a importância da diversidade de gênero no conselho e comitês de sustentabilidade.

Principais conclusões: O estudo contribui teoricamente para a literatura de GC e ESG, oferecendo insights práticos para a implantação de práticas sustentáveis e sugerindo um caminho para liderança em sustentabilidade.

Contribuições teóricas/metodológicas: Este documento pretende contribuir para a teoria da administração e contabilidade, destacando a integração entre GC e ESG como essencial para a sustentabilidade corporativa.

Palavras-chave: Governança Corporativa (GC); Práticas Ambientais, Sociais e de Governança (ASG); Indicadores de Sustentabilidade; Revisão Sistemática da Literatura; Diversidade no Conselho.

1 INTRODUCTION

In an era where sustainability becomes the cornerstone of business strategies, global attention increasingly focuses on the environmental, social, and governance dimensions, known as ESG. This movement is not merely a trend but a transformation in how companies operate, driven by growing demands from investors, society at large, and policymakers for more sustainable practices. The adoption of these practices is not only a response to these demands but also a vital strategy for companies seeking to thrive in an increasingly demanding market

(Gillan, Koch, & Starks, 2021).

The European Union has emerged as a beacon of regulation and guidelines on ESG, setting a benchmark with the approval of Directive 2014/95/EU - Non-Financial Reporting Directive (NFRD) in 2014, followed by other initiatives aimed at standardizing and expanding the disclosure of ESG-related information. These actions reflect a commitment to transparency and corporate accountability, setting a precedent for other regions.

Finally, in April 2021, the EU adopted a series of ESG-oriented decisions (Ideyama & Becker, 2024), such as the proposal of a Corporate Sustainability Reporting Directive, the introduction of the Sustainable Finance Disclosure Regulation, and the Benchmark labeling and ESG disclosure requirements. These directives and initiatives aimed to expand the scope of the NFRD to require all EU companies to adhere to ESG standards.

In this context, Corporate Governance (CG) emerges as a crucial element in the effective implementation of ESG initiatives, raising the question: how do CG systems influence companies' ESG outcomes?

This study aims to explore this interaction by identifying the most relevant CG attributes and ESG indicators in the current literature and analyzing how these variables are addressed by researchers.

The integration of ESG practices into CG (Machado, Santos, & Raupp, 2024). represents a crucial element for competitive intelligence and strategic management of organizations. By aligning sustainability goals with governance structures, companies can develop sustainable competitive advantages, anticipate market trends, and respond more effectively to contemporary challenges.

The study addressed a current and relevant theme, aligned with the growing demand for ethical and transparent corporate practices, which will bring considerable benefits to the market (Gillan, Koch, & Starks, 2021).

In addition to providing an introduction to the topic, this article will delve into the theoretical foundations that underpin the relationship between CG and ESG, followed by a detailed exploration of the methods used to investigate this dynamic. The findings will be discussed with the aim of providing valuable and practical insights for both the academic and business worlds, culminating in concluding remarks that not only summarize the key points but also suggest directions for future research in this vital field. This study aimed to elucidate the path toward a deeper integration of sustainable practices into corporate strategies, contributing to a more sustainable and responsible future.

This article begins by thoroughly explaining the theoretical foundations and justification for exploring the role of CG in determining outcomes. It then details the methodological procedures adopted to discuss the findings. Finally, the concluding remarks will present the main conclusions and suggestions for future research involving CG and ESG.

2 THEORETICAL FOUNDATIONS

The role of CG in promoting sustainability within companies (Bizarrias, 2024) has become the core of numerous academic studies, driven by researchers from various disciplines interested in investigating companies' commitment to stakeholders (Donaldson & Preston, 1995).

In the pursuit of aligning the CG agenda with broader environmental and social governance concerns, several studies have theorized about the key internal and external drivers and the potential outcomes of incorporating sustainability into corporate practices (Buchetti & Arduino, 2022).

Researchers have focused on how the structure and characteristics of a company's board and ownership relate to different ESG measures (Alda, 2019; Rees & Rodionova, 2015). Others have investigated the legal systems adopted by different countries and how these have shaped their corporate governance systems and models to develop diverse sustainable and environmental policies. Recent studies have highlighted that European countries have stakeholder-oriented actions when developing legislation that addresses detailed environmental and social issues, thus leading to better environmental and social performance compared to countries like the United States, which are shareholder-oriented (Kock & Min, 2016).

Others studies have focused their research efforts on integrating ESG issues with governance systems, specifically on how these efforts have been guided by the objective of better understanding how companies make changes or create new governance structures to integrate sustainability into their decision-making processes (Mackenzie, 2007; Ricart, Rodriguez, & Sánchez, 2005).

The evidences have shown that a growing number of companies have included ESG-related incentives in executive compensation plans and have established sustainability committees (Ricart, Rodriguez, & Sánchez, 2005).

Additionally, from a theoretical standpoint, research on CG and ESG topics is generally grounded in different theoretical frameworks, primarily stakeholder theory and agency theory, often combining more than one theory (Spitzeck, 2009).

The literature on CG and ESG is distinguished by remarkable diversity and heterogeneity, particularly in the subjects explored and the theoretical frameworks employed (Ferrero-Ferrero, Fernández-Izquierdo, & Muñoz-Torres, 2015).

The next section will present the methodological procedures adopted in this article.

3 METHODOLOGICAL PROCEDURES

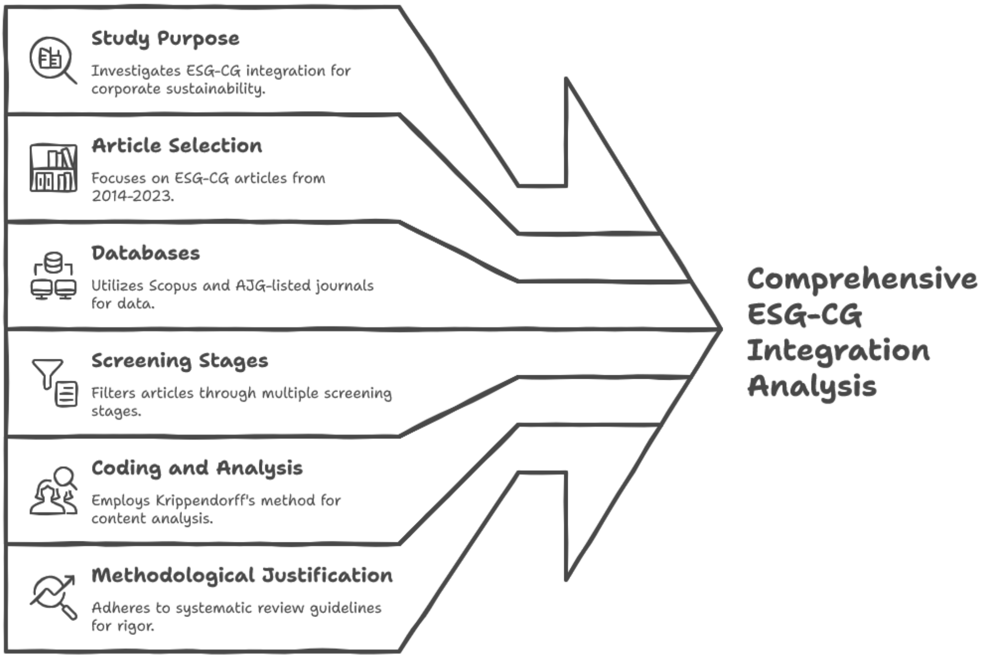
This study was designed to ensure clarity, precision, and replicability by grounding itself in rigorous systematic literature review practices. The process began with the definition of article selection criteria aimed at identifying relevant research addressing the integration of Environmental, Social, and Governance (ESG) practices into Corporate Governance (CG). These criteria included the publication period from 2014 to 2023, direct thematic relevance to ESG and CG, and the inclusion of studies published in high-impact journals as listed in the Elsevier-Scopus database. The search was conducted using specific descriptors such as "ESG AND Corporate Governance," "ESG AND Board," and "ESG AND Directors," applied to the abstract, keywords, and title of the articles.

The utilization of the Scopus database consolidated the quality and reliability of the research, demonstrating a commitment to methodological rigor and scientific relevance (Haque, 2017). Following the initial collection, the articles underwent a process of coding and content analysis as described by Krippendorff (2005), ensuring a systematic and objective evaluation of the data. Each article was independently coded by at least two co-authors to minimize biases and enhance the validity of the results. In cases of disagreement, the articles were reviewed and recoded until consensus was reached, ensuring the reliability of the coded data.

The method also emphasized the study's replicability by providing a detailed description of the methodological steps adopted, from article selection to the final analysis. This included the rationale for method selection, based on the guidelines established by Afeltra, Alerasoul, and Usman (2022), which guided the conduct of systematic literature reviews. Clarity in the description of methodological procedures aims not only to enhance the credibility of the findings but also to enable other researchers to replicate or expand the study in the future.

Ensuring the relevance and quality of the articles included in the review involved selecting those from high-impact journals, resulting in 678 articles after excluded duplicates articles. The search was further refined by considering studies published in journals listed in the Academic Journal Guide (AJG) by the Chartered Association of Business Schools (CABS), which includes only peer-reviewed scientific journals. This reduced the sample to 187 articles, which were subsequently analyzed and independently coded.This decision was made based on the premise that such journals undergo a rigorous peer-review process, which enhances the quality and credibility of this study (Krippendorff, 2005).

When a paper mentions that a study analyzed articles published in journals listed in the AJG, it indicates that the study examined works published in business and management academic journals that have a ranking in the AJG. These publications may originate from various parts of the world, and the AJG serves as an indicator of their quality and academic relevance, encompassing a broad range of international research in the field of management and business (Buchetti & Arduino, 2022; Rosado-Serrano, Paul, & Dikova, 2018). This rigorous and transparent methodological approach significantly contributed to the existing literature by offering valuable insights into the integration of ESG practices into CG. Furthermore, by emphasizing the importance of replicability and methodological justification, this study set a standard for future research, encouraging the adoption of rigorous practices that align business interests with social and environmental demands. As shown in Figure 1, the methodological protocol was designed to ensure transparency and scientific rigor through key stages.



Source: Created by the author.

The next section will present and discuss the results.

4 RESULTS AND DISCUSSION

The three journals with the highest number of publications on CG and ESG topics were Corporate Governance: An International Review (four articles) and Business Strategy and the Environment (four articles). With three articles each, the journals Sustainability Accounting, Management and Policy Journal; Journal of Applied Accounting Research; and Corporate Governance (Bingley) followed. The journals Journal of Business Ethics; Review of Accounting Studies; International Journal of Disclosure and Governance; Journal of Corporate Finance; Journal of Business Research; and Managerial and Decision Economics published two articles each. Additionally, 14 other journals contributed with only one publication each, totaling the 40 articles in the sample.

The 40 articles were classified according to the CG attributes investigated, following the methodology established for conducting literature reviews (Afeltra, Alerasoul, & Usman, 2022). This procedure aimed to reduce biases and increase transparency (Limongi, 2024) in the article selection process by analyzing the main contributions of each article (Ibrahim, Howard, & Angelidis, 2003).

4.1 CG studied in relation to ESG indicators

In the process of coding and content analysis, nine CG constructs were identified in relation to ESG: board gender diversity, ownership structure, board independence, Chief Executive Officers (CEO), board size, compensation, sustainability committee, frequency of board meetings, and others (Manner, 2010).

Seven ESG indicators were identified in this study: **1.** ESG Disclosure: included studies that assessed the relationship between CG attributes and the amount of ESG information companies disclosed to the public (Husted & Sousa-Filho, 2019); **2.** ESG Performance: this second group of articles investigated the relationship between CG and ESG performance (Barko, Cremers, & Renneboog, 2021); **3.** ESG Risk: articles that explored which CG attributes affected, for example, whether institutional investors improved ESG practices by reducing ESG incidents related to controversies, issues, and incidents (Burke, 2022); **4.** ESG Engagement Strategy: articles that examined which CG attributes influenced strategies such as active shareholder engagement that led companies to consider environmental, social, and governance criteria in their decision-making, and whether regulation encouraged directors' attitudes toward ESG engagement (Yamahaki & Frynas, 2016); **5.** ESG and Carbon Emissions: articles that investigated how CG characteristics helped reduce greenhouse gas emissions and how this improved ESG indicators (Karim, Albitar, & Elmarzouky, 2021); **6.** ESG Greenwashing: studies that explored how and when companies engaged in misleading ESG disclosures, known as greenwashing, by comparing ESG disclosure scores and documents with ESG performance scores and documents (Mio, Venturelli, & Leopizzi, 2015); and **7.** ESG Assurance: This last group of articles investigated how CG attributes promote the use of ESG assurance (Maroun, 2022).

4.2 Board Gender Diversity and ESG Indicators

These studies investigated the effect of board gender diversity, such as the proportion of female directors or the presence of a female CEO, on various ESG indicators (Arayssi, Dah, & Jizi, 2016).

Recently, increasing attention has been given to board diversity by institutions, investors, regulators, and academics. Greater diversity is expected to enhance informational resources and broaden the cognitive and behavioral scope of the board (Ferrero-Ferrero, Fernández-Izquierdo, & Muñoz-Torres, 2015).

Greater board gender diversity is associated with socially responsible behaviors and proactive Corporate Social Responsibility (CSR) strategies (Ferrero-Ferrero, Fernández-Izquierdo, & Muñoz-Torres, 2015; Shaukat, Qiu, & Trojanowski, 2016). There is a strong positive relationship between female presence on the board and multiple ESG indicators.

Female directors have agreed to advance the social agenda in boardrooms, enhancing the social profile of a company (Arayssi, Dah, & Jizi, 2016).

Managers should promote greater gender diversity on boards, which can lead to a wider range of perspectives and more effective decision-making on ESG issues (Bear, Rahman, & Post, 2010).

However, some areas require further investigation, as observed by other scholars (Khlif & Achek, 2017). First, the number of research studies using Asian and North American data was very limited. Second, with the exception of ESG disclosure, the other types of ESG indicators are only partially investigated, and more research will be necessary. Third, only three studies (Buallay et al., 2022; de Masi et al., 2021; Manita et al., 2018) have investigated the role of critical mass, namely, the proportion at which diverse boards positively or negatively affected ESG indicators. This element is important given the increasing regulations requiring higher percentages of women on boards of directors (Ferrero-Ferrero, Fernández-Izquierdo, & Muñoz-Torres, 2015).

4.3 Ownership Structure and ESG Indicators

The articles explored the mechanism by which different structures such as institutional investor ownership, state ownership, family ownership, and concentrated ownership affected ESG indicators (Rees & Rodionova, 2015).

In recent decades, academics and practitioners have debated the relationship between corporate ownership structures and multiple ESG indicators. It has been observed that most of these studies investigated the role and power of institutional investors in influencing various issues. Types of shareholders such as pension funds appear to be capable of becoming active shareholders by voting their shares and engaging with invested companies to improve different types of ESG indicators, enhance ESG disclosure, improve ESG performance, and reduce ESG greenwashing and risks. In summary, these findings have provided strong support to prior studies documenting the positive effects of institutional investors on companies and their stakeholders (Mitra & Cready, 2005).

Regarding other forms of ownership structure, a multicontinental study found that family ownership is negatively associated with ESG performance (Rees & Rodionova, 2015). An article showed that government-controlled firms in China have higher levels of ESG disclosure (Weber, 2014), and another study from the UK found that a concentrated ownership structure moderates the relationship between ESG disclosure and firm performance (Albitar et al., 2020).

In general, the presence of institutional investors seemed to positively impact various ESG indicators, while family ownership appeared to negatively affect ESG performance (Rees & Rodionova, 2015). However, multiple findings were observed. In the United States, there were no studies investigating the relationship between ESG performance and the presence of institutional investors.

4.4 Board Independence and ESG Indicators

The articles examine the relationship between board independence, such as the proportion of independent directors, and ESG indicators (Haque, 2017).

According to previous studies, a higher proportion of outside directors on the board brings many benefits, especially in terms of monitoring and controlling the opportunistic behaviors of top executives, thus mitigating the agency problem (Zhang, 2012).

According to previous studies, a higher proportion of outside directors on the board brings many benefits, especially in terms of monitoring and controlling the opportunistic behaviors of top executives, thus mitigating the agency problem (Zhang, 2012).

Additionally, independent outside directors are expected to actively support greater corporate responsiveness to societal needs and show more concern for corporate responsibility issues (Ibrahim, Howard, & Angelidis, 2003).

A positive relationship was observed between the proportion of independent directors and ESG indicators. However, many potentially unexplored areas were also noted. First, this relationship has been investigated only through purely quantitative studies, and researchers might adopt other methodologies, such as mixed methods or qualitative studies. Second, no study has investigated this relationship within the banking sector. In this context, the role of independent directors was less clear (Buchetti & Santoni, 2022), and it would be interesting to study how they might affect ESG indicators. Third, this topic has been studied primarily in terms of ESG disclosure, suggesting that researchers have the opportunity to explore other ESG indicators.

4.5 Chief Executive Officers (CEO) and ESG Indicators

The studies investigated how CEO characteristics such as power, education, and narcissistic tendencies affected ESG themes (Burke, 2022).

Previous research has debated the influence of CEOs on corporate decision-making and financial performance. In particular, according to the upper echelon theory, CEO decisions are influenced by their personality, experiences, educational background, values, and preferences, and thus corporations are a reflection of their top executives. In recent years, scholars have dedicated their research efforts to investigating how CEO characteristics also influence environmental, social, and governance phenomena.

Two studies showed that narcissistic and powerful CEOs increased the level of ESG disclosure (Dabbebi, Lassoued, & Khanchel, 2022), consistent with previous research by Jizi et al. (2014). For example, CEOs with narcissistic tendencies are more interested in disclosing corporate ESG initiatives that attract significant attention from stakeholders and the media (Khanchel & Ben Taleb, 2022) to enhance their visibility and reputation. One study provided empirical evidence of how the CEO effect can increase the level of ESG performance (Crace & Gehman, 2022), aligning with previous studies (Chin, Hambrick, & Treviño, 2013), while another study focused on CEO misconduct and ESG risk, specifically how negative media news about ESG topics increased the likelihood of CEO dismissal (Burke, 2022).

Considering the empirical landscape, it was interesting to note that most studies on CEOs and ESG measures used data from North America, which is characterized by a strong corporate culture of entrepreneurship and leadership (Klamer, 2011).

It was observed that multiple CEO characteristics, such as being narcissistic and powerful, can positively affect ESG indicators, while ESG indicators can have the opposite effect on CEOs' careers, such as increasing the likelihood of CEO dismissal. Furthermore, in this context, researchers have many opportunities, such as using mixed methods or qualitative research methods, for example, interviewing CEOs or leveraging ad hoc case studies. Other CEO characteristics, such as educational background or professional experience (Manner, 2010), and how these affect ESG indicators can also be investigated.

4.6 Board Size and ESG Indicators

This group of works investigated how board size impacted ESG issues (Husted & Sousa-Filho, 2019).

The board of directors serves as a key corporate governance body that effectively aligns the interests of shareholders and managers (Rose, 2005). On one hand, larger boards, from an agency perspective, provided better monitoring and also contributed to increased diversity in terms of viewpoints and expertise, thus benefiting the decision-making process. On the other hand, the more board members there are, the more effort and time are required for negotiations to reach agreements in the boardroom (Jensen, 1993). Recently, scholars have begun to investigate whether the number of directors can affect ESG-related decisions and actions (Buchetti & Arduino, 2022).

Most articles reported that board size positively influences ESG measures, while two articles detected a negative relationship with ESG measures. One article investigated the moderating effect of board size on the relationship between ESG disclosure and company performance, finding that larger boards of directors enhance company performance by offering a better monitoring process concerning the implementation and integration of ESG disclosure requirements (Albitar et al., 2020).

In particular, one study provided empirical evidence that a larger number of directors increases the level of ESG disclosure, thus responding to the growing demands for the disclosure of non-financial information about a company's environmental, social, and governance activities by all stakeholders (Husted & Sousa-Filho, 2019), corroborating the study by Tamimi and Sebastianelli (2017). However, other articles reported that board size is negatively related to ESG greenwashing and ESG performance.

In general, a positive relationship has been observed between board size and the level of ESG disclosure, while other ESG indicators have only been partially examined. Researchers have many opportunities. First, they can investigate this relationship using alternative methods, such as mixed or qualitative approaches. Second, they can study whether the positive relationship between ESG disclosure and board size is also found in Europe. Third, they can explore more deeply the relationship between board size and other ESG measures, such as ESG performance, ESG risk, carbon emissions, and ESG greenwashing.

4.7 Compensation and ESG Indicators

This corporate governance attribute was represented by focusing on whether executive compensation was tied to ESG goals or initiatives (Tamimi & Sebastianelli, 2017).

In response to institutional and social calls for greater inclusion of sustainability in corporate initiatives and culture, companies have begun linking directors' compensation to sustainability issues (Haque, 2017), moving beyond the traditional pay-for-performance practice (Aggarwal & Samwick, 2003). In the literature, several scholars have recognized that compensation policies based on ESG and CSR are useful for encouraging directors to pursue long-term sustainable goals (Haque, 2017).

Two studies showed that linking executive directors' compensation (Tamimi & Sebastianelli, 2017) or directors' compensation (Suttipun, 2021) increased ESG transparency and ESG disclosure, aligning with previous research (Hong, Li, & Minor, 2016) that stated, from an agency perspective, CSR incentives aligned managers' interests with shareholders (Tamimi & Sebastianelli, 2017). Among studies focusing on ESG performance as a measure, one study demonstrated that climate-linked incentives for executive directors enhance ESG performance, specifically environmental incentives (Ritz, 2022).

Various outcomes were found by scholars analyzing directors' compensation in relation to ESG greenwashing and ESG-related reputational risk (Melis & Rombi, 2021). Regarding the empirical landscape, directors' compensation concerning ESG disclosure has been studied using North American and Asian data, while European studies have investigated how directors' compensation can influence ESG greenwashing.

Mixed results were observed between directors' compensation and ESG indicators. The level of ESG disclosure appeared to increase when directors were economically incentivized to improve this indicator. Additionally, the level of ESG performance tended to increase when directors were economically incentivized to enhance this indicator. Unfortunately, only one multicontinental study investigating this issue was identified. In this context, researchers have many areas to explore. First, they can investigate whether a positive relationship exists between directors' compensation and the level of ESG disclosure, as confirmed in Europe. Second, they can explore other industries, such as the financial sector. Third, they can study what exact percentage of variable compensation improves ESG indicators.

4.8 Sustainability Committee and ESG Indicators

These studies investigated whether companies with a sustainability committee are more likely to have better ESG scores (Suttipun, 2021).

The "sustainability committee" is a separate committee formed to address sustainable and social business practices. The Board of Directors of socially responsible companies—those with greater ESG disclosure or ESG performance—may be more likely to establish a "sustainability committee" to manage the ESG workload. That is, companies with better ESG scores are the most likely to have some type of ESG committee. Secondly, ESG performance scores could positively rank companies with an ESG committee in place. Unfortunately, only one study investigating this relationship accounted for possible endogeneity issues.

In general, a positive relationship has been observed between the presence of a "sustainability committee" and multiple ESG indicators. However, many potential unexplored areas and some methodological issues have also been noted.

Firstly, this relationship has only been investigated using archival data; conversely, researchers could interview members of these committees and study their tasks and duties. Secondly, they could study whether a positive relationship between the presence of a "sustainability committee" and ESG disclosure and performance is also found in Europe. Thirdly, researchers should employ econometric models that consider endogeneity issues.

4.9 Board Meeting Frequency and ESG Indicators

The CG attribute analyzed in this group was board meeting frequency, to understand whether frequent board meetings lead to better sustainability performance (Disli, Yilmaz, & Mohamed, 2022).

4.10 Others ESG Indicators

Finally, the group "Others" included all articles not covered in any of the previous areas, comprising various CG such as the role of employee appointments to the board of directors (Nekhili et al., 2021), the internal governance weighted index (Karim, Albitar, & Elmarzouky, 2021), the presence of the audit committee (Maroun, 2022), directors' diversity in terms of education and nationality (Harjoto, Laksmana, & Yang, 2019), board networks (Harjoto & Wang, 2020), and board oversight (Adams, 2017).

4.11 Sustainable Development Goals (SDG)

Additionally, the results of this study aligned with several United Nations Sustainable Development Goals (SDG), particularly:

- SDG 8 – Decent Work and Economic Growth: through the promotion of governance practices that foster sustainable economic growth.
- SDG 9 – Industry, Innovation, and Infrastructure: by highlighting how CG can drive innovation in ESG practices.
- SDG 12 – Responsible Consumption and Production: through emphasis on ESG disclosure and sustainable corporate practices.
- SDG 13 – Climate Action: by addressing how CG influences companies' environmental practices.

The following sections will present the final considerations, limitations, contributions to theory and practical application, as well as a trend for future research.

5 FINAL CONSIDERATIONS

This study shed light on the intricate relationship between CG and ESG indicators, revealing insights for sustainable competitive intelligence. The meticulous analysis highlighted how CG shapes companies' ESG outcomes, responding to the growing global demand for responsible and transparent business practices.

In recent years, academic research has witnessed robust growth in examining how CG shapes companies' ESG outcomes, reflecting the increasing demand for responsible and transparent business practices.

Nine CG attributes were identified, with emphasis on board gender diversity, ownership structure, and board independence, as fundamental for robust and effective governance. Concurrently, seven predominant ESG indicators were identified, with ESG disclosure being the most prominent, signaling a trend toward greater corporate transparency.

The meticulous analysis revealed that the presence of female directors, institutional investors, independent directors, specific CEO characteristics, director compensation, sustainability committees, and the frequency of board meetings positively impact ESG indicators. Additionally, it aligns with several United Nations Sustainable Development Goals (SDG), such as SDG 8, SDG 9, SDG 12, and SDG 13. Interestingly, family ownership emerged as a potentially negative factor for ESG performance.

This research addressed the critical question of how CG systems affect companies'

ESG outcomes. It was found that the presence of female directors, institutional investors, independent directors, specific CEO characteristics, director compensation, sustainability committees, and the frequency of board meetings are factors that positively impact ESG indicators. On the other hand, family ownership was shown to be a factor that can negatively influence ESG performance.

The most commonly used theories to provide insights into the main theoretical lenses utilized in the articles were: stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984); agency theory (Jensen & Meckling, 1976); institutional theory (Meyer & Rowan, 1977); resource dependence theory (Pfeffer & Salancik, 1978); shareholder theory (Friedman, 1970); resource-based view theory (Wernerfelt, 1984); legitimacy theory (Dowling & Pfeffer, 1975); multiple theories, and other unspecified theories.

Therefore, this study expanded the literature on CG and ESG by offering an in-depth understanding of their interrelationship and practical implications. By highlighting the crucial importance of integrating sustainable CG practices to enhance ESG performance, it provided a strategic guide for companies aspiring to leadership in sustainability. This work not only represents a milestone in the literature on corporate sustainability and competitive intelligence but also offers a practical, evidence-based roadmap for implementing CG practices that promote a more sustainable and competitive future, paving the way for a new era of responsible and transparent business practices.

5.1 Theory and Practical Application

Theoretically, this study enriched the literature on CG and ESG by offering new perspectives on how these areas interconnect. Practically, it provided valuable insights for entrepreneurs and managers interested in adopting governance practices that not only comply with regulations but also promote sustainability and long-term value.

5.2 Limitations of the Studies

The limitations of this study pave the way for future research. The exclusivity of AJG articles, while ensuring quality, suggests the need to explore more diverse sources for a holistic understanding of the CG and ESG relationship. Organizational resistance to change and challenges in implementing sustainable practices represent fertile areas for investigation.

Potential avenues for advancing knowledge in this field include future research addressing governance and ESG-related topics in different sectors or regions (Adams, 2017).

Furthermore, the emerging role of Artificial Intelligence in resource management and sustainability offers a vast field for innovative studies. These limitations are not obstacles but opportunities for researchers to expand the boundaries of knowledge in corporate sustainability and competitive intelligence.

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