

THE INFLUENCE OF BOARD GOVERNANCE CHARACTERISTICS ON THE LEVEL OF SUSTAINABILITY DISCLOSURE WITH MODERATING EFFECT OF THE PERFORMANCE ATTAINMENT AND RESOURCES: EMPIRICAL EVIDENCE FROM SRI LANKAN LISTED MANUFACTURING FIRMS

Dissanayake A.D.M.^{1*}, Ajward A.R.² and Dissanayake T.D.S.H.³

¹Faculty of Business, NSBM Green University Town, Sri Lanka

²Department of Accounting, University of Sri Jayewardenepura, Sri Lanka

³Department of Accountancy and Finance, Rajarata University of Sri Lanka, Sri Lanka

*madu,d@nsbm.lk

Reporting on sustainability practices has become popular among firms to secure its own image in the society as a legitimate corporate citizen. The level of disclosure might be determined by the attention given by board governance characteristics towards it but may be subject to the performance attainment and resource availability of the firms. Thus, this study was designed to investigate the association between board characteristics and the level of sustainability disclosures with the moderating effect of the performance achievement and resources available. Accordingly, the first objective of the study was to measure the level of board governance characteristics and sustainability disclosure in Sri Lanka; secondly, to examine the association between board characteristics and level of sustainability disclosures, and finally to investigate the moderating impact of the performance gap (attainment discrepancy) and resources (slacks). Eleven prominent board characteristics as independent variables together with seven controlling variables were utilized in this study. All the manufacturing companies in Colombo Stock Exchange were selected amounting to 28 for four years period (2014 to 2017) and thereby one hundred and twelve (112) firm-year observations have been used in the study. Using Global Reporting Initiative (GRI) based index for measuring sustainability disclosures, results indicate that the level of sustainability reporting is not at satisfactory level in Sri Lanka since the overall mean was found to be 46.29%. Under the correlation and ordered logistic regression analysis, audit committee size ($p < 0.1$), audit committee meetings ($p < 0.01$) and short CEO tenure ($p < 0.05$) become significant predictors for sustainability reporting which affect positively, while surprisingly having female directors become negatively significant ($p < 0.05$). It was found that neither performance gaps nor resources available within firms moderate the relationship between board characteristics and sustainability reporting. These results are supported by Agency theory, Legitimacy theory and Behavioral theory of firm. The study contributes to the extant literature by filling the empirical gap prevailed in the study area. The study is expected to have significant policy implications for regulators and policymakers on corporate voluntary disclosures.

Keywords: *Corporate Governance, Board Characteristics, Sustainability Reporting, GRI Framework*