



**An-Najah National University
Faculty of Graduate Studies**

**THE EXTENT TO WHICH CSR COMMITTEE
MODERATES THE RELATIONSHIP BETWEEN
EARNINGS MANAGEMENT AND SUSTAINABLE
DEVELOPMENT GOALS (SDG) DISCLOSURE**

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**This Thesis is Submitted in Partial Fulfilment of the Requirements for the Degree
of Master in Accounting, Faculty of Graduate Studies, An-Najah National
University, Nablus - Palestine.
2025**

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Dedication

With profound gratitude and deep appreciation, I present this work as the culmination of my master's degree journey.

First and foremost, I extend my sincerest reverence to my beloved homeland, Palestine, whose rich heritage and enduring spirit have been a perpetual source of inspiration. This work is a humble tribute to its legacy and a sincere hope for its continued prosperity and advancement.

To the pillars of my life, my family, I owe everything. To my parents, whose boundless love, unwavering faith, and countless sacrifices laid the foundation for every achievement I have ever attained. To my siblings, whose constant support and encouragement were my safe harbor throughout the challenges of this journey. This work is a testament to your belief in me.

I wish to express my utmost appreciation to my thesis supervisors, Dr. Maaz Abualia and Dr. Alaa Dweikat, for their invaluable guidance, profound knowledge, and unwavering patience. Their insightful feedback and academic rigor have been instrumental in shaping this research, and for that, I am eternally grateful.

My sincere thanks also extend to the distinguished faculty members of the Faculty of Graduate Studies at An-Najah National University, whose teachings have profoundly enriched my academic journey.

To my friends and colleagues who offered their support and camaraderie, I extend my heartfelt appreciation.

This work is dedicated to all who have been part of this significant chapter in my life.

Researcher: Ola Najeeb Tawfeeq Ghannam

Acknowledgements

The completion of this academic endeavor would not have been possible without the support and guidance of numerous individuals to whom I wish to express my profound gratitude.

Foremost, I extend my deepest appreciation to my thesis supervisors, Dr. Muiz Abualia and Dr. Alaa Dweikat from the Faculty of Graduate Studies at An-Najah National University. Their unwavering support, invaluable expertise, and insightful feedback were instrumental in shaping this research. I am profoundly grateful for their dedication, which not only enriched my academic journey but also inspired me to pursue excellence in my work.

My sincere thanks go to Prof. Abdunaser Nour and Dr. Sameh Atout for their encouragement and for fostering a stimulating and supportive academic environment. Their passion for educating and mentoring students has left a lasting impression on my scholarly development.

To my friends and colleagues, I offer my heartfelt gratitude for your camaraderie, motivation, and shared experiences. Your support made this challenging journey not only manageable but also enjoyable and enriching.

This thesis is the culmination of the collective effort, encouragement, and wisdom I have received from all mentioned above. Each of you has played a pivotal role in my academic and personal growth, and for that, I remain eternally thankful.

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Declaration

I, the undersigned, declare that I submitted the thesis entitled:

THE EXTENT TO WHICH CSR COMMITTEE MODERATES THE RELATIONSHIP BETWEEN EARNINGS MANAGEMENT AND SUSTAINABLE DEVELOPMENT GOALS (SDG) DISCLOSURE

I declare that the work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

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Date:

31/08/2025

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Abstract

Considering the growing doubt regarding the reliability of sustainability reports, this paper examines the role of the Corporate Social Responsibility (CSR) committee in moderating the relationship between earnings management and Sustainable Development Goals (SDG) disclosures. The study uses a dataset of 7,238 firm-year observations from 1,886 European firms between 2017 and 2022, studied through the lenses of stakeholder, legitimacy, agency, and signaling theories, and employs multivariate regression models with fixed effects. The results show that earnings management negatively impacts SDG disclosures. Management opportunism is suggested to undermine the quality and transparency of SDG disclosures. However, the presence of a CSR committee significantly limits this negative impact, which instead serves as an internal governance mechanism that maintain the credibility and integrity of SDG reporting. Furthermore, several other factors such as ESG performance, firm size, board gender composition, and board size were found to be positively associated with SDG disclosures. On the other hand, ROA or reporting losses seem to have no significant statistical association with the level of SDG disclosures. The results emphasize the critical importance of ethical governance in trustworthy sustainability reports. It further gets into the practical concerns of businesses, regulators, stakeholders, and any other parties accountable for holding corporations in alignment with the 2030 Agenda for the United Nations Sustainable Development Goals.

Keywords: Sustainable Development Goals (SDGs), Sustainable Development Goals disclosure, Earnings management (EM), Corporate Social Responsibility committee, corporate governance, Environmental, Social, and Governance (ESG), Sustainability reporting.

Chapter One

General Framework of Study and Literature Review

1.1 Introduction

Sustainable Development Goals (SDGs) were adopted by United Nations General Assembly in 2015 as part of the 2030 Agenda which includes 17 goals and 169 specific targets to reach by 2030. The SDGs aim to eliminate inequalities worldwide through their mission to address poverty while protecting the environment, improve global health and opportunity, establish peace, promote international cooperation, address climate change, and protect the environment over the next 15 years (UN, 2015; Bebbington & Unerman, 2018).

With growing global awareness of climate change, many companies start adopting sustainability practices as part of their strategy. Specifically, The SDG 12.6 urges organizations to adopt sustainability reporting as a part of their core operations (Gasper, Shah, & Tankha, 2019). However, the accuracy and consistency of sustainability disclosures are still affected by many challenges, which arise principally from a lack of standardization, inconsistent reporting practices, and the ongoing difficulty of maintaining transparency and comparability (Demartini, Beretta, & Larisch, 2024; Dewi, Saraswati, Rahman, & Atmini, 2023). Ensuring accurate and consistent disclosures is essential in order to maintain investors' confidence in the company and support their informed decisions (Tun, Arshad, Sattar, Zafar, & Noor, 2024).

High-quality sustainable disclosures establish benefits for both investors and stakeholders. By offering clearer insights into a company's sustainability practices, these disclosures enhance well-informed decision-making, help investors make more informed choices, manage risk, improve financial performance, and foster trust (Yadav, Samadhiya, Kumar, & Pandey, 2024; Eccles, Ioannou, & Serafeim, 2012). High-quality, current, and comparable SDG disclosures promote transparency, strengthen investor confidence, and enhance corporate reputation (Yadav, Samadhiya, Kumar, & Pandey, 2024).

Environmental, Social, and Governance (ESG) and SDGs both focus on sustainability and responsible business conduct. ESG principles help operationalize the SDGs within

corporate strategies, especially in areas like environmental protection, social responsibility, and ethical governance (Soni, 2023). Unlike traditional ESG topics, SDG reporting focuses on external impacts and risk mitigation for people and the environment. Although the SDGs do not explicitly refer to the ‘G’ (governance) factor, effective implementation requires managerial oversight and accountability to align business practices with sustainability objectives (Saeed, Mohammed, Adeniyi, & Osei, 2025). Good governance and board structures can increase transparency, reduce the risk of greenwashing, and help identify whether benefits reported under the SDGs genuinely accrue from social and environmental impacts (Jiang, García-Meca, & Martínez-Ferrero, 2023).

The absence of a global reporting framework poses a major challenge in SDG reporting, resulting in a lack of consistency and standardization. Thus, sustainability disclosures vary widely across industries and organizations, which undermines the credibility of sustainability reports (Malinić & Vučković-Milutinović, 2024; Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2018).

The voluntary nature of reporting increases the risk of selective disclosure, also called “cherry-picking” or “SDG-washing,” where organizations tend to portray their sustainability efforts in an overly positive way, using reporting as a public relations tool rather than a reliable source of information (Nishitani, Nguyen, & Kokubu, 2024). They selectively emphasize positive outcomes and underplay or omit material negative impacts to make an overly positive and biased picture of their environmental and social efforts, thereby misleading stakeholders (Boiral., 2013).

This practice distorts the true picture of sustainability within companies and increases doubt about the authenticity of the reported information. Furthermore, as disclosure on sustainability is becoming voluminous and more complicated, stakeholders would face challenges in deriving meaningful insights from excessive information (Puroila & Mäkelä, 2019). Despite frameworks efforts seek to address these issues, such as Global Reporting Initiative (GRI), it faced by gaps in their practicality implementation that become detrimental to the advantages that could be gained. The credibility and comparability of sustainability reports must be protected by strict regulatory enforcement, with actual preparation to support transparency and openness in corporate disclosures

(Ioannou & Serafeim, 2017). Integration of SDGs into existing reporting systems like GRI increases breadth and depth of disclosures (Global Reporting Initiative, 2018).

Companies need to integrate SDGs into its reporting frameworks. It can benefit from global efforts to strengthen SDGs reporting, these efforts include establishing a common language for corporate SDGs reporting contributions, simplifying sustainability reporting requirements, stimulating collaboration across the entire investment value chain, opening business opportunities, and creating common ground for companies and investors regarding impact performance and commitment (Global Reporting Initiative, 2018).

Companies that disclose SDG data especially a trusted, high quality, and comparable reports become significant in promoting sustainability. Innovative financing mechanisms such as green bonds, fintech platforms, and blended finance are essential for mobilizing capital, aligning with national policies (Raman, Ray, Das, & Nedungadi, 2025), and meeting the needs of state-owned and institutional investors. Moreover, transparent SDG-related disclosures enhance stakeholder trust and corporate value (Silva, 2021).

Earnings management refers to a practice used by firms to manipulate their financial statements, so that earnings are reported in line with managers' targets, usually misrepresenting the actual performance of the firms. These manipulations can take the shape of understating expenses or inflating revenues (Strakova, 2020). This practice undermines stakeholder trust in disclosure, as they may perceive such disclosures as less authentic (Healy & Wahlen, 1999). Companies may prioritize managerial interests over stakeholder welfare by manipulating earnings to exceed market expectations, raising doubts about the credibility of their sustainability efforts (Cohen, Dey, & Lys, 2008).

Moreover, EM tends to be an ethical or corporate governance problem, as it and erodes governance integrity by causing a misrepresentation of disclosures aimed toward presenting a better image of the firm (Jensen & Meckling, 1976; Dang & Pham, 2022). In addition, EM practices have the potential to damage the long-term sustainability and reputation of the firm (Ningsih & et al., 2023). In this context, a negative consequence could impact SDG disclosures because stakeholders are likely to doubt the authenticity of the company's sustainability reports and its commitment to sustainable practices.

Corporate Social Responsibility (CSR) committees are crucial because they not only monitor but also enhance the quality of SDG disclosures by ensuring compliance with global sustainability frameworks (Sekarlangit & Wardhani, 2021). These committees actively monitor sustainability practices, verify the accuracy and compliance with reporting standards, thereby improving transparency of sustainability practices and reporting (Ningsih & et al., 2023; Strakova, 2020). Thus, the integration of the SDGs into corporate strategy increases the likelihood that CSR committees could ensure the fulfillment of social and environmental objectives on behalf of companies and yet manage to avoid the accusations of greenwashing (Dang & Pham, 2022; Feng, Yin, Y., & Chang, 2024). In doing so, companies build a positive reputation through gain stakeholder trust by addressing their concerns and expectations (Cohen, Dey, & Lys, 2008; Jensen & Meckling, 1976). From a governance viewpoint, CSR committees are the oversight mechanism that ensures accountability by incorporating sustainability principles into any strategic management decision (Ningsih & et al., 2023).

Corporate committees, including audit committee, CSR committee, remuneration committee, and nominating committee, support the board in addressing issues related to social responsibility, sustainability, and social impact, thereby increasing brand trust and employee motivation (Mackenzie, 2007). These committees also play a key role in risk management, mitigating social and environmental risks to prevent EM practices and ensuring accurate sustainability reporting (Ioannou & Serafeim, 2012).

CSR committees enhance sustainability disclosures, internal governance, and transparency in a way that encourages corporate responsibility and accountable business practices (Mallin & Michelon, 2011). They also raise the quality of SDG disclosures by engaging various stakeholders, including employees, customers, investors, and communities (Gennari & Salvioni, 2018). Along with that, building trust would reinforce commitments to sustainable development, reduce the negative observation of EM.

CSRCs also produce and implement policies that determine whether operations conform to respective social responsibility objectives (Liao, Luo, & Tang, 2015). Furthermore, they ensure reporting accuracy, which helps prevent any manipulation regarding SDG disclosures (Mallin & Michelon, 2011). Promoting transparency counteracts the distorting effects of earnings management in presenting sustainability performance to

stakeholders. However, there's a possible correlation between discretionary accruals and CSR practices, which highlights the importance of stringent oversight in that area (Habbash & Haddad, 2019).

1.2 Study problem and Questions

1.2.1 Problem Statement

Despite growing corporate commitments to the United Nations Sustainable Development Goals (SDGs) and the increasing global attention since their adoption in 2015, concerns remain regarding the credibility and quality of SDG disclosures, particularly in cases where earnings management (EM) practices manipulate and misrepresent both financial transparency and non-financial performance (Healy & Wahlen, 1999; Ningsih & et al., 2023).

Firms engaging in earnings management may use sustainability reporting as a tool to gain or maintain legitimacy by diverting attention from financial manipulation, making it more difficult for stakeholders to assess actual sustainability performance (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Ningsih & et al., 2023).

There is robust evidence regarding the effect of Corporate Social Responsibility (CSR) committees on improving both the quality and extent of sustainability and SDG disclosures (Helfaya & Moussa, 2017). Companies that engage in sustainability, produce appropriate sustainability reports, and adhere to effective corporate governance practices tend to show a lower tendency toward earnings management. These organizations prioritize transparency and long-term value creation, making them less likely to engage in EM manipulation (Grimaldi, Caragnano, Zito, & Mariani, 2020; Meqbel, Alta'any, Kayed, & Al-Omush, 2023). Stronger ethical frameworks and governance structures lead to reduction in earnings management (Cohen, Dey, & Lys, 2008; Gaio, Gonçalves, & Sousa, 2022).

However, there is limited empirical evidence specifically on the moderating role of CSR committees in the relationship between earnings management (EM) and SDG disclosures. Some studies indicate that CSR committees significantly constrain earnings manipulations and improve the quality of SDG reporting (Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022), while others argue that sustainability initiatives may still be used

to mask financial manipulations, questioning the reliability of these disclosures (Mackenzie, 2007). Consequently, this leaves uncertainty about whether the presence of a CSR committee indeed lessens the negative effects of earnings management on SDG disclosures, particularly with respect to different organizational contexts and industries.

European companies are widely recognized as leaders in CSR, known for transparent practices and strong alignment with all 17 SDGs (Khan, Yu, Panait, Janjua, & Shah, 2021; Ioannou & Serafeim, 2017). Through initiatives like the European Green Deal and the European Semester process, Europe has established an international grounding in the convergence of Corporate Social Responsibility and the SDGs within the regulatory framework. These aim at achieving climate neutrality, as well as sustainable growth (Koundouri, Devves, & Plataniotis, 2021; Taliouris & Trihas, 2021). International guidelines like ISO standards and the Business Social Compliance Initiative (BSCI) guide organizations toward consistent adherence to socially responsible practices that promote harmonization across CSR efforts (Khan, Yu, Panait, Janjua, & Shah, 2021).

Indeed, challenges continue to arise despite these frameworks, including increasing regulatory complexity and inconsistent application across sectors and regions (Koundouri, Devves, & Plataniotis, 2021). Such inconsistencies hinder integration at the SDG level and have especially affected SMEs and Eastern European countries, where sustainability commitments tend to be relatively weak (Maulanda, Yudoko, & Rudito, 2023). Hence, this study examines how CSR committees moderate the relationship between earnings management and SDG disclosures among European companies.

1.2.2 Research Questions

Based on the illustrated objectives, this study considered the following questions:

1. To what extent does earnings management practices influence Sustainable Development Goals (SDG) disclosures within European corporations?

How do earnings management impact the transparency and accuracy of SDG disclosures?

2. Does the existence of CSR Committee moderate the EM and SDG disclosures nexus?

1.3 Research Objective

The study intends to add to the body of knowledge regarding the relationships between earnings management (EM), corporate social responsibility (CSR), and the reporting of SDGs by achieving the following objectives:

First, the research aims to examine the extent to which earnings management practices affect the accuracy and credibility of sustainable development goals (SDG) disclosures in European firms. Based on agency theory (Jensen & Meckling, 1976) and legitimacy theory (Suchman, 1995), the study aims to determine whether earnings management through accrual manipulation distorts SDG reporting in a way that may mislead stakeholders regarding the true state of sustainability performance (Healy & Wahlen, 1999; Ningsih & et al., 2023).

Finally, the specific objective of the study is to assess the moderating effect of CSR committees on earnings management distortion of SDG disclosures within organizations. As suggested by stakeholder theory (Freeman, 1984), CSR committees serve as internal governance mechanisms that strengthen the credibility of sustainability reporting by improving the accountability and by aligning the managerial incentives with the SDG goals (Liao, Luo, & Tang, 2015).

The study evaluates the impact of CSR committees as institutional protectors against the misinformation of sustainability. Based on corporate governance literature (Mallin & Michelon, 2011), the study seeks to find out whether the existence of such committees can reinforced governance gaps and therefore, improve the governance gap between the financial and non-financial disclosures (KPMG, 2017; Ioannou & Serafeim, 2012).

1.4 Research Importance

The present research fills a critical gap in the literature in the fields of sustainability, corporate governance, and financial transparency. by exploring the moderating effect of Corporate Social Responsibility (CSR) committees on the relationship between Earnings Management (EM) and Sustainable Development Goals (SDG) disclosures, that form the discourse on such topics for various stakeholders.

While prior studies individually discussed the impact of different corporate governance mechanisms on sustainability reporting (Mahmood, Kouser, Ali, Ahmad, & Salman,

2018), little is known on the specific moderation that CSR committees apply regarding the influence of earnings management practices on the disclosure of SDGs. Most prior studies focused on the direct relationship between CSR initiatives and EM practices, often examining them separately. Some studies discuss the CSR effect on EM and report a positive, negative, mixed, or no correlation, depending on factors such as industry, country, and governance structures (Deng, Ong, & Senik, 2024). Regarding the effect of CSR committee existence on sustainability reporting, as firms with CSR committees consistently show higher quality and more comprehensive sustainability and ESG reporting (Baraibar-Diez & Odriozola, 2019; Helfaya & Moussa, 2017). As these studies focus on the general impact of CSR committees on disclosure practices or on the CSR–EM relationship without specifically addressing the moderating role in the EM–SDG context, leaving a gap in understanding of the moderating effect of CSR governance in the European context between EM and especially SDG disclosures.

Despite the increasing tendency of corporations towards integrating sustainability initiatives into business strategies, empirical evidence concerning the relationship between sustainability disclosures in terms of environmental, social, and governance (ESG) factors, and earnings management has mostly yielded inconsistent and sometimes contradictory results (Chen & Hung, 2020; Velte., 2019; Habbash & Haddad, 2019). These results highlight the importance of examining the situation-dependent and moderating elements that shape the nexus between earnings management and sustainability reporting, especially concerning disclosures aligned with the SDGs. The role of corporate governance in moderating the relationship between earnings management and sustainability reporting deserves further investigation, particularly with regard to CSR committees. This study contributes to bridging an important gap in the sustainability literature.

By clarifying the role of CSR committees in the transparency of SDG disclosures, this study contributes to addressing the skeptical views of stakeholders on the credibility of corporate sustainability pledges (Cohen, Dey, & Lys, 2008). The findings also highlight the role of CSR committees in nurturing trust in investors, employees, and the entire community (Mallin & Michelon, 2011), ultimately leading to the creation of more accountable and sustainable corporate landscapes.

Theoretically, this study contributes to corporate governance and sustainability literature but also addresses the ethical risks of earnings management and its potential to misrepresent financial and non-financial reporting (Ningsih & et al., 2023). Investigating this moderating role forms an important contribution to agency theory and stakeholder theory, by providing empirical evidence that shows how robust governance structures (e.g., CSR committees) help align managerial actions with stakeholder interests and sustainability objectives, thereby reducing agency conflicts and supporting stakeholder engagement (Mahmood, Kouser, Ali, Ahmad, & Salman, 2018; Agarwala, Jana, & Sahu, 2023). Moreover, these findings strengthen stakeholder theory by establishing that companies with CSR committees are in a better position to meet stakeholder demands for increased sustainability disclosures, thus amplifying stakeholder relationships and corporate reputations (Velte & Stawinoga, 2020; García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

Nonetheless, today European firms are expected to comply with sustainability regulations like The Corporate Sustainability Reporting Directive. This study aims to determine the impact of CSR committees on the relationship between earnings management activities and the disclosure of SDGs. Earlier research suggests that CSR committees mitigate the risks of these companies engaging in greenwashing and selective reporting and instead foster transparency and accountability in the evaluation and reporting processes (Habbash & Haddad, 2019 ; Feng, Yin, Y., & Chang, 2024).

The findings are expected to have practical value for corporate executives and directors by highlighting the need to create well-defined CSR committees at the organizational level to protect the credibility of the sustainability report (Baraibar-Diez & Odriozola, 2019). Firms that have proactive and robust governance structures in place regarding CSR are better positioned to anticipate stakeholder demands and have reduced exposure to the risk of earnings management and deceptive disclosure (Mahmood, Kouser, Ali, Ahmad, & Salman, 2018; Meqbel, Alta'any, Kayed, & Al-Omush, 2023). This study stresses the necessity for the creation of CSR committees in companies, provided these committees are granted the independence and sufficient power to substantially shape reporting on sustainability practices (García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

The research has policy implications because it can assist regulatory bodies and policymakers to form requirements that CSR committees actively participate in governance dealing with the disclosures of sustainability and that the disclosures genuinely mirror the performance of sustainability rather than managerial opportunism (Dang & Pham, 2022; Gennari & Salvioni, 2018). This is particularly relevant in Europe, because the regulatory fragmentation of multiple jurisdictions creates issues for uniform reporting practices (Ioannou & Serafeim, 2012).

Further, the findings of the study will help investors and financial analysts assess the reliability of the sustainability disclosures concerning the CSR committees' activities and the committees' operation. This will help investors in shaping their investment strategies and help improve sustainability accountability by corporations (Kouaib, 2022; Baraibar-Diez & Odriozola, 2019).

In conclusion, this research helps in bridging the gaps with regard to the corporate governance along with sustainability practiced in corporations. It brings forth the lack of control of CSR committees concerning the pernicious impact of the management of earnings in the context of sustainability reporting. It also offers guidance to study the extent of these relationships in different regulatory and industrial contexts in subsequent research.

Table (1)*Operational Definitions*

Concept	Abbreviation	Conceptual Definition
Sustainable Development Goals disclosures	SDGD	The extent to which a firm communicates its efforts and performance regarding the UN Sustainable Development Goals (Global Reporting Initiative, 2018)
Earnings Management	EM	The practice of manipulating financial reporting to achieve certain financial results (Jones, 1991; Healy & Wahlen, 1999)
CSR Committee	CSRC	A board-level committee responsible for overseeing corporate social responsibility initiatives (Velte & Stawinoga, 2020)
ESG Performance	ESG	A firm's overall performance in environmental, social, and governance practices (Agarwala, Jana, & Sahu, 2023)
Firm Size	SIZE	The scale or magnitude of a firm, typically reflected in total assets
Return on Assets	ROA	A measure of a firm's profitability relative to its total assets
Leverage	LEV	The extent to which a firm uses debt to finance its assets
Net Loss	LOSS	Indicator of whether a firm has incurred a financial loss in a given period
Board Size	BSIZE	The total number of members on a company's board of directors
Board Gender Diversity	GEND	The proportion of female directors on a firm's board

1.5 Theoretical framework

This chapter delves into the theoretical basis and literature informing the present study's hypotheses. The first section focuses on constructing an overarching theoretical framework which clarifies the relevant governance mechanisms that moderate disclosure practices (Miniaoui, 2022). Following that, the broader systematic review of prior empirical works, which highlights the lack of focus on the CSR committees' moderating role in the relationship between earnings management (EM) and Sustainable Development Goals (SDG) disclosures.

This chapter also situates the governance structure within the wider perspective of enhancing corporate visibility, especially in Europe which faces stringent regulatory demands for more precise and correct sustainability reporting (Lu & Wang, 2020). With the empirical findings and the theoretical considerations in hand, the chapter also elaborates the hypotheses proposed by the study, linking them to the main variables in the model and detailing the expected interactions between them to fill the identified research gaps.

This study seeks to fill in the gap by situating the CSR committees within the corporate governance framework and examining their role in moderating the SDG disclosures, that the need to manipulate earnings creates the need to examine the role played by CSR committees in disclosing SDGs more credibly and transparently (García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

1.5.1 Theories

This study relies on four theories that focus on the relationship between corporate governance, earnings management, and sustainability reporting which is Agency Theory, Stakeholder Theory, Legitimacy Theory, and Signaling Theory. These theories serve as the framework to explain how governance structures, particularly CSR committees, influence corporate transparency and accountability (Jensen & Meckling, 1976; Freeman, 1984; Suchman, 1995; Connelly, Certo, Ireland, & Reutzel, 2011).

Agency and stakeholder theories focus on the challenges related to governance that arising from managements self-interest and stakeholder expectations, while emphasizing the contribution of social responsibility committees like CSR in enhancing organizational ethics (Jensen & Meckling, 1976; Yustina, 2024; Freeman, 1984; Bellucci & Manetti, 2018). Legitimacy theory explain the role of firms sustainability reporting by arguing that firms deliberately communicate information to achieve social acceptance (Suchman, 1995; Velte P. , 2024), while Signaling theory stressing the importance of transparent reporting as a positive sign and commitment to sustainability by the organization to stakeholders (Yustina, 2024; Connelly, Certo, Ireland, & Reutzel, 2011).

The study aims to blend the theories mentioned above into a single model in order to show how CSR committees moderate the impact of EM on SDG disclosures, thus clarifying the governance mechanisms that incentivize responsible corporate behavior.

1.5.1.1 Stakeholder Theory

According to (Freeman, 1984), this concept holds that organizations must prefer the interests of all the stakeholders—shareholders, employees, communities, and regulators—while making decisions. Companies applying the stakeholder-oriented approach are more likely to produce more transparent and complete SDG disclosures because such reports reflect their commitment to productive social and environmental responsibilities (García, Bolas-Araya, & Benau, 2022; Bellucci & Manetti, 2018).

Moreover, Stakeholder Theory suggests that companies must go beyond the narrow consideration of profit maximization and instead consider much wider social and environmental impacts of their activities (D'souza, et al., 2022). Organizations that disregard the interests of their stakeholders—especially regarding sustainability disclosures—risk damaging their reputations and losing public trust. Companies with weak CSR governance frameworks may incur significant consequences, such as loss of investment support, consumer boycotts, and even incur regulatory fines. This is because stakeholders' economic reports have become more responsive and focused on demanding accountability and transparency (Hussain, Khan, Nguyen, Stocchetti, & Corbet, 2023).

Conversely, the practices associated with earnings management (EM) erode the integrity of SDG disclosures by creating a gap between the reported performance and the actual sustainability outcomes (Grimaldi, Caragnano, Zito, & Mariani, 2020; Meqbel, Alta'any, Kayed, & Al-Omush, 2023). Incorrect disclosures undermine stakeholder trust, given that trust is critical when assessing social ramifications of the firm's activities. Stakeholders, therefore, risk being deceived when there is a mismatch between financial statements and sustainability claims (Ma, 2023).

In addition, companies can engage in greenwashing by setting their short-term financial goals at the expense of appropriate sustainability practices. This will not only damage stakeholder trust but also put the company at risk with respect to its reputation and future survival (Feng, Yin, Y., & Chang, 2024). Accurate sustainability disclosures are now mandated by investors, consumers, and regulators, which makes misleading stakeholder information a heavy legal and financial liability (Xia, Chen, Yang, Li, & Zhang, 2023).

The CSR committee plays a role in aligning organizational practices with stakeholder interests in terms of the tenets of stakeholder theory, advocating the consideration of all

stakeholders-not just shareholders-in CSR decisions (Diez-Cañamero, Bishara, Otegi-Olaso, Minguez, & Fernández, 2020). They go further than mere symbolism to put into action real sustainability strategies. By using practical frameworks such as the Ethical Performance Scorecard, CSR committees promote transparency and accountability, thereby building trust among stakeholders (Jamali, 2008). CSR committees serve as governance instruments to integrate sustainability approaches into quality business strategies and to ensure that sustainability considerations in decision-making processes are not superficial (García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019; Velte & Stawinoga, 2020).

The responsibilities of CSR committees concerning governance of the environment includes defining sustainability reporting which, as indicated by (Liao, Luo, & Tang, 2015), has a positive influence on greenhouse gas disclosures. These committees function as major governance frameworks in SDG reporting as they offer entrenched accountability governance frameworks that fulfill the corporate governance and expectation customary moral reporting (García, Bollas-Araya, & Benau, 2022; Mallin & Michelin, 2011). In the context of sustainability reporting, these committees oversee the relevant data, take measures to ensure information integrity, and confirm that the disclosures provide an accurate reflection of the progress made towards the achievement of the SDGs.

Accordingly, the CSR committees serve a dual function: one is enacting stakeholder theory by integrating stakeholder concerns into the corporate governance framework, while the other furthers legitimacy theory by increasing transparency in sustainability reporting.

1.5.1.2 Legitimacy Theory

Legitimacy Theory provides critical insight into the relationship between CSR committees, earnings management, and Sustainable Development Goals disclosures. It states that a business needs to abide by the norms and values of a society to be proven legitimate, and this legitimacy can be presented through honest SDG disclosures (Suchman, 1995). This is founded on the premise that organizations practice CSR mainly to comply with social expectations and norms in order to gain legitimacy in the eyes of the stakeholders (Suchman, 1995; Janang, Joseph, & Said, 2020). With respect to

corporate sustainability, this theory emphasizes the importance of corporate SDG disclosures by arguing that organizational legitimacy is enhanced through open and authentic disclosures.

More recent research, however, suggests that corporate SDG disclosures are more often symbolic than substantive. Both (Lodhia, Kaur, & Kuruppu, 2022) and (Manes-Rossi & Nicolò, 2022) argue that companies tend to present sustainability information in a manner that supports a positive public image instead of representing a genuine internal change toward a long-term commitment to sustainability.

It is even more damaging to corporate governance that EM is often accompanied by symbolic legitimacy since EM is fundamentally opposed to the ethical principles that guided the SDG disclosures. The deliberate misrepresentation of management practices (EM) strives to achieve immediate financial objectives disregarding long-term sustainability, thus resulting in a disparity between actual financial performance and sustainability claims (Gonçalves, Gaio, & Ferro, 2021). Such discrepancies may harm the firm's market and social positioning, which in turn diminishes stakeholder confidence (Cohen, Dey, & Lys, 2008).

According to (Hummel & Schlick, 2016), businesses that actively maintain competitive sustainability performance are more inclined to high-quality, transparent disclosures, often to signal their legitimacy or competitive positioning. Conversely, businesses with weaker sustainability performance often resort to vague or superficial reporting to disguise performance gaps, using the signaling function of disclosure to superficially sustain their legitimacy.

CSR committees in this context are therefore vital governance mechanisms that counter the detrimental effect of EM on SDG disclosures. These committees ensure that sustainability reporting is not merely symbolic, but rooted in the firm's actual performance (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015). These committees contribute to building legitimacy and maintaining it by creating accountability for any inconsistency between announced and actual sustainability efforts and embedding ethical oversight into corporate decision-making (Browning, Lee, Lee, & Yang, 2022). Thus, obtaining legitimacy through

reputation sustaining disclosures has become a strategic focus in organizations in all industries (VeIte, 2021; Meqbel, Alta'any, Kayed, & Al-Omush, 2023).

CSR governance has an effect not only on the quality of disclosures but also on the accomplishment of SDGs, According to (Mahmood, Kouser, Ali, Ahmad, & Salman, 2018) Strong governance frameworks are reported to improve the sustainability reporting measurement in terms of transparency, accountability, and governance, which in turn supports significant progress toward sustainable development. Governance committees guard against social ire and protect the firm's reputation by eliminating risks related to the social disapprobation of earnings management and skepticism from stakeholders regarding false disclosures (Buertey, Sun, Lee, & Hwang, 2019).

The role of CSR committees is crucial in controlling the effects of earnings management (EM) on SDG disclosures, as they ensure the reporting of sustainability aligns with social expectations (Gennari & Salvioni, 2018). CSR committees, by incorporating good governance and accountability frameworks, bolster the legitimacy of sustainability disclosures, which, in turn, safeguards the firm's reputation and strengthens relationships with stakeholders who rely on accurate documentation of sustainability disclosures for credible decision-making (Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015).

1.5.1.3 Agency Theory

Agency theory , proposed by (Jensen & Meckling, 1976) is specifically focused on those conflicts of interest between managers (agents) and shareholders (principals) in terms of the agency problem, particularly the issue of managerial opportunism who tend to act to their own benefit rather than to shareholder interests. This theory suggests that earnings management (EM) serves as an avenue through which managers can manipulate financial reports to achieve their goals, such as maintaining profitability or securing performance-based compensation (Yustina, 2024; Dechow & Skinner, 2000).

Earnings management (EM) refers to the manipulation of financial statements to achieve the desired outcomes, as defined by (Dechow & Skinner, 2000). EM practices can largely diminish the transparency and trustworthiness of SDG disclosures, given that managers may selectively disclose favorable information while withholding or distorting unfavorable information about a company's sustainability performance (Velte P. , 2024).

As a result, EM increases information asymmetry and decreasing shareholder confidence and stakeholder trust (Healy & Palepu, 2001; Mallin & Michelon, 2011).

From the agency perspective, corporate governance mechanisms play a significant role in controlling the managerial opportunism behavior and reduce agency costs. CSR committees, as formal governance structures are among the key instruments in this endeavor (Villarón-Peramato, Martínez-Ferrero, & García-Sánchez, 2018). According to (Maqfira, Zaitul, Darmayanti, Azizah, & Ilona, 2024), CSR Committees seek to align managerial decisions with long-term stakeholder interests by promoting ethical oversight and ensuring that sustainability practices are more than symbolic. Therefore, activities of such committees can reduce the tendency for managerial manipulation of sustainability messaging and enhance the credibility of reported SDG progress.

Furthermore, CSR committees reduce information asymmetries through institutionalized transparency, structured sustainability reporting, as well as third-party assurance, and active engagement with stakeholders (Gennari, 2019; Baraibar-Diez & Odriozola, 2019). Their presence would be positively related to the quality of SDG disclosures and would reduce earnings manipulation, thereby reinforcing their moderating role between EM and sustainability performance (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Sekarlangit & Wardhani, 2021).

According to empirical evidence, companies with CSR committees composed of independent members, or with strong governance features such as board independence and sustainability orientation, are more likely to issue credible and comprehensive SDG disclosures (Helfaya & Moussa, 2017; Lawati & Alshabibi, 2023). This form of governance limits EM and strengthens the accuracy of the reporting, confirming that the corporation is more dedicated towards the SDGs (Velte & Stawinoga, 2020).

To conclude, agency theory describes the problem of management reporting opportunism which is both harmful and pervasive to a corporation's financial and non-financial reporting. However, the proactive governance provided by CSR committees tends to control the reporting opportunism by mitigating information asymmetry and elevating the level of transparency while aligning corporate behavior to the will of the stakeholders and socially responsible norms

1.5.1.4 Signaling theory

Signaling theory provides a useful framework for understanding how organizations can disclose their internal values, intentions, and performance to their stakeholders, particularly under circumstances marked by information asymmetry or uncertainty (Connelly, Certo, Ireland, & Reutzel, 2011). High-quality SDG disclosures serve as positive signs of an organization's sincere commitment to ethical practices and long-term environmental and social objectives in corporate sustainability (Ching & Gerab, 2017; Nicolò, Zanellato, Tiron-Tudor, & Polcini, 2022). It can also help stakeholders distinguish organizations that are genuinely committed to sustainability from those that engage in symbolic reporting or greenwashing (Hummel & Schlick, 2016).

On the other hand, excessive earnings management (EM) sends the opposite signal—managerial opportunism and undermines trust in both financial and sustainability reporting. As stated by (Dechow & Skinner, 2000; Gonçalves, Gaio, & Ferro, 2021), EM damages the credibility of reported outcomes, causes doubts about the truthfulness of sustainability claims, and heightens perceived reputational risk. This is where signaling theory explains why companies engaged in EM may also tend to enhance their SDG disclosures. Such disclosures aim to counterbalance the negative signals caused by financial manipulation and to maintain stakeholder confidence (Meqbel, Alta'any, Kayed, & Al-Omush, 2023).

The actions of the CSR committee can amplify or mitigate the strength and authenticity of credibility signals. Within the governance framework, CSR committees endorse more credibility towards sustainability disclosures by enforcing reporting policy compliance with the GRI, SASB, and other global benchmark policies, justifying Internal-External policy alignment, and straddling sustainability claims (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Helfaya & Moussa, 2017). Active CSR committee members are more liable to issue coherent, substantiated, and pertinent information concerning the SDGs and so curtail signaling gaps and enable trust among stakeholders (Ching & Gerab, 2017; Bae, Masud, & Kim, 2018).

CSR committees work to narrow the gap between corporate behavior and stakeholder expectations. By engaging with stakeholders through third-party assurance and policy oversight, CSR committees ensure that firms' sustainability signals are coherent, credible,

and resonate with social values and norms (Masud, Nurunnabi, & Bae, 2018). Through these measures, CSR committees also reduce the likelihood that sustainability disclosures are perceived as reputation management rather than actual performance disclosures (Dhaliwal, Li, Tsang, & Yang, 2011).

The combination of stakeholder theory, agency theory, legitimacy theory, and signaling theory forms a robust lens through which to view corporate behavior concerning SDG disclosures and earnings manipulation. This framework provides a balance between meeting the needs of shareholders and accommodating social legitimacy, allowing firms to strategically disclose sustainability information.

1.5.2 SDG and SDG disclosure

1.5.2.1 Sustainable Development Goals (SDGs)

The SDGs were adopted during the 2015 United Nations General Assembly where all 193 member states were present. The goals were adopted along the 2030 Agenda for Sustainable Development. These goals outline strategies for poverty eradication, environmental sustainability, and social equity, among institutional and governance challenges (UN, 2015). The goals intend to create a shared framework for bespoke public and private sector collaborations and sustainable developmental outcomes. With these goals, corporations are now accountable to their stakeholders, investors and regulators, who demand sustainability transparency by the corporations (Yadav, Samadhiya, Kumar, & Pandey, 2024).

Integrating the corporate strategic decision-making process with the SDGs enables companies to strengthen their sustainability orientation, reduce risks, and seize opportunities related to global development agendas (Waal & Thijssens, 2020). For example, SDG 13 (Climate Action) may involve the adoption of science-based carbon reduction targets. SDG 5 (Gender Equality) entails equitable gender representation at the leadership level, thus reflecting commitments to both social and organizational resilience (UN, 2015).

The 17 SDGs are enumerated as follow:

Table (2)

A full breakdown of the 17 SDGs

Goal	Title
Goal 1	No Poverty
Goal 2	Zero Hunger
Goal 3	Good Health and Well-being
Goal 4	Quality Education
Goal 5	Gender Equality
Goal 6	Clean Water and Sanitation
Goal 7	Affordable and Clean Energy
Goal 8	Decent Work and Economic Growth
Goal 9	Industry, Innovation and Infrastructure
Goal 10	Reduced Inequalities
Goal 11	Sustainable Cities and Communities
Goal 12	Responsible Consumption and Production
Goal 13	Climate Action
Goal 14	Life Below Water
Goal 15	Life on Land
Goal 16	Peace, Justice and Strong Institutions
Goal 17	Partnerships for the Goals

1.5.2.2 Sustainable Development Goals Disclosure (SDGD)

SDGD refers to how organizations systematically and transparently account for their efforts, contributions, and challenges concerning the 17 SDGs (Gutiérrez-Ponce & Wibowo, 2023). These disclosures generally consist of current sustainability reporting practices, integrated reporting, or independent SDG disclosures, which can provide tools for accountability, stakeholder engagement, and benchmark evaluation of strategic performance (Rizzato, Tonelli, Fiandrino, & Devalle, 2023; Nicolò, Zanellato, Tiron-Tudor, & Polcini, 2022).

The importance of SDGD lies in its role in transparency and trust-building among stakeholders. Currently SDGD disclosures help stakeholders recognize the company's sustainability development path, track its alignment with international goals, and assess the material effects of operations (KPMG, 2017; GRI, 2016). SDGD also allows

companies to measure their contributions, track their progress against targets, and discover the required improvements (Eccles, Ioannou, & Serafeim, 2012).

Recent empirical evidence suggests that SDGD has risen substantially in several regions—particularly Europe, Indonesia, and Australia, due to governance reforms, pressures at the institutional level, and global reporting standards (Hummel & Szekely, 2021; Gutiérrez-Ponce & Wibowo, 2023; Lodhia, Kaur, & Kuruppu, 2022). However, while the volume of disclosures has increased, the quality of these disclosures remains questionable, as they often lack quantitative and forward-looking information. Many companies give priority to qualitative reports over quantitative performance metrics, raising doubts regarding the credibility of these reports (Hummel & Szekely, 2021).

Governance structures and stakeholder pressures actually set the standard for the breadth and depth of SDG disclosures. For example, the presence of women on corporate boards and active board meetings correlates positively with a higher quality of SDG disclosure (Gutiérrez-Ponce & Wibowo, 2023). Furthermore, the external pressures exerted by stakeholders—especially socially responsible investors and environmental interest groups—carry greater influence than any internal actors like analysts or employees (Hummel & Szekely, 2021).

In terms of impact, SDG disclosures are associated with better financial performance, specifically through enhanced return on equity and better analyst forecast accuracy (Ismail, Ismail, & Yusof, 2025). Furthermore, firms practicing comprehensive SDGD tend to engage in more integrated thinking and holistic sustainability practices, thus elevating them to a position of leadership in corporate sustainability (Rizzato, Tonelli, Fiandrino, & Devalle, 2023).

Nonetheless, key challenges exist. These challenges include symbolic reporting aimed at gaining legitimacy without any measurable action, low disclosure rates in some regions, and lack of efforts in creating a standardized global SDG disclosure framework (Lodhia, Kaur, & Kuruppu, 2022). Filling these gaps will require robust regulatory frameworks, third-party assurance mechanisms, and recognition of globally accepted standards like GRI.

1.5.3 Earning Management (EM)

Earnings management (EM) is the practice by which managers manipulate financial statements to achieve desired financial outcomes, often to meet benchmarks, smooth income, and affecting stakeholder perceptions (Healy & Palepu, 2001). Although EM technically falls within the accounting regulations, it poses serious ethical and governance concerns, as it is more likely to obscure the economic reality of the performance of a firm.

Accrual-Based Earnings Management (AEM) is perhaps the most explored form of Earnings Management in the academic literature. It involves manipulating accounting accruals such as depreciation, provisions, or revenue recognition, while actual cash flows remain unchanged (Dechow & Skinner, 2000; Meyer & Dutzi, 2024). AEM is highly flexible for managers seeking to manipulate earnings when accounting standards are subject to interpretive discretion. The reasons for undertaking AEM include fulfilling earnings targets, influencing stock valuation, meeting contractual obligations, and retaining positions or bonuses (Healy & Wahlen, 1999; Chen & Hung, 2020).

EM can pose serious threats to financial transparency. It might mislead investors regarding the true financial position of a firm, threaten the credibility of financial statements, and further compromise the reliability of earnings as a performance indicator (Hong & Andersen, 2011). Over time, persistent EM might have serious ramifications for cash flow predictability (Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015) and even cause inefficient allocation of resources (Prior, Surroca, & Tribó, 2008). All three factors lead to reduced investor morale, which eventually erodes shareholder value (Healy & Palepu, 2001).

From an agency theory perspective, EM arises from asymmetric information between management and shareholders. Agents, namely managers, may pursue personal interests at the cost of principals by manipulating earnings (Jensen & Meckling, 1976). This behavior is considered an agency cost and hinders the alignment of the firm's interests with shareholder objectives (Prior, Surroca, & Tribó, 2008).

EM also carries consequences for sustainability reporting. New evidence suggests that firms engaging in EM are equally likely to have symbolic SDG disclosures with the aim of maintaining legitimacy while diverting attention from the manipulative behavior regarding finances (Meqbel, Alta'any, Kayed, & Al-Omush, 2023). This also overlap with

signaling theory, which points out that managers make voluntary disclosures with an intention of signaling ethical commitment as they try to attract investment. A misrepresentation in EM with very positive sustainability disclosures may be perceived as greenwashing, thereby eroding stakeholder trust (Suchman, 1995; Sun, Salama, Hussainey, & Habbash, 2010).

The Sarbanes-Oxley Act of 2002 strengthened legal controls over accrual manipulation in the USA (Cohn & Zarowin, 2010). However, EM still persists, challenging regulatory frameworks worldwide. Other studies pointed out that having strong CSR governance, particularly through independent CSR committees can help in reducing the adverse effects of EM by promising transparency and accountability (Meyer & Dutzi, 2024; Meqbel, Alta'any, Kayed, & Al-Omush, 2023). On the contrary, when CSR initiatives are weak or merely symbolic, they tend to worsen the problem by creating opportunistic financial behavior (Anderson, Hyun, & Warsame, 2023).

Overall, earnings management becomes is a central concern in financial reporting and corporate governance studies. Although it can be profitable in the short run, it will eventually negatively impact the firm via reputational damage, regulatory penalties, and a loss of credibility in sustainability performance. Therefore, studying EM becomes important for critically examining its relations with sustainability disclosures and the role of governance mechanisms in curtailing managerial opportunism.

1.5.4 Corporate Social Responsibility Committee (CSRC)

A Corporate Social Responsibility Committee (CSRC) is a specialized subcommittee at the board level that is created to oversee CSR and sustainability initiatives of the company. It is a key component of corporate governance, ensuring that business strategies integrate ESG principles and the United Nations SDGs (Mallin & Michelon, 2011; Baraibar-Diez & Odriozola, 2019).

The CSRC plays operational, strategic, and monitoring roles with respect to CSR policies. This establishes a firm commitment to transparency, long-term sustainability, and ethical behavior, thereby improving its ESG performance and stakeholder engagement (Baraibar-Diez & Odriozola, 2019). The Global Reporting Initiative (GRI, 2016) states that organizations are expected to disclose which internal bodies or committees—including board subcommittees—were responsible for decisions on sustainability issues.

Meanwhile, the International Institute for Sustainable Development (IISD) recommends the development of a comprehensive CSR decision-making framework

Although not legally required, the establishment of the CSRC reflects the company's proactive stance in addressing social and environmental challenges (García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019). The formation of the committee also conveys that top managers pay attention to sustainability issues and thus help institutionalize CSR as a strategic necessity rather than just an option or symbolic activity (Velte & Stawinoga, 2020; Baraibar-Diez & Odriozola, 2019).

It has been highly recommended to create board sub-committees in order to enhance the effectiveness of boards by assigning responsibilities to a smaller group of decision makers (Velte & Stawinoga, 2020). Enabling the board of directors to address concerns in a more comprehensive manner, Sub-committees can assist companies in addressing diverse matters and enhancing the efficiency of boards (Jain & Zaman, 2019).

Agency theory suggests that a CSRC mitigates agency costs through monitoring managerial behavior and aligning decisions with long-term stakeholder interests. Without such governance mechanisms, CSR activities might be misused to serve the interests of management or used to obscure unethical corporate behavior (Jensen & Meckling, 1976; Villarón-Peramato, Martínez-Ferrero, & García-Sánchez, 2018).

Beyond monitoring, CSR Committees enhance an integrated mindset within corporate governance by connecting CSR with enterprise risk management and compliance (Ioannou & Serafeim, 2012). They deal with issues including environmental responsibilities, employee safety, ethics, and wider sustainability policy (Jamali, 2008). In this way, CSRCs help to enhance board effectiveness by narrowing the focus of directors to a select few critical issues (Jain & Zaman, 2019).

From a performance perspective, companies with established CSR committees tend to have higher SDG disclosure and greater sustainability performance (Sekarlangit & Wardhani, 2021). Additionally, CSRCs are regarded as a mechanisms to mitigate opportunistic practices such as earnings management (EM) by reinforcing ethical standards and reducing symbolic use of sustainability disclosures (Meqbel, Alta'any, Kayed, & Al-Omush, 2023).

A properly functioning CSRC enhances corporate image, regulatory compliance, as well as trust from stakeholders (Gennari & Salvioni, 2018). Also, it aids in monitoring and evaluation, supervising the execution of CSR strategies and their evaluation (Ioannou & Serafeim, 2012). The committee is responsible for ensuring the CSR activities and their impact are accurately and transparently reported (KPMG, 2017). Alongside diverse and independent board composition, well-functioning CSRCs can greatly contribute to corporate-level sustainability and the global 2030 Agenda for Sustainable Development (Jiang, García-Meca, & Martínez-Ferrero, 2023).

1.6 Literature Review and Hypotheses Development

This section provides a synthesis of the theoretical and empirical literature relevant to the current study. Here, the focus is on two related lines of inquiry. The study analyzes the impact of earnings management on the disclosure of Sustainable Development Goals (SDGs), given the concern that the self-serving nature of financial reporting poses the risk of undermining the transparency and trustworthiness of information disclosed on sustainability (Healy & Wahlen, 1999; Grimaldi, Caragnano, Zito, & Mariani, 2020). Also, the study approaches Corporate Social Responsibility Committee (CSRC) as a potential moderating variable owing to the growing interest among scholars regarding the capacity of governance framework to mitigate managerial self-serving behavior and enforce sustainability (Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015).

Drawing on agency and stakeholder theories, this part underscores the effectiveness of CSRCs in reducing information asymmetries, improving supervision, and aligning corporate governance with societal expectations (Chouaibi, Zouari-Hadiji, & Khlifi, 2023; Velte P. , 2024). More recent empirical work indicates the active role CSRCs play not only in the enhancement of SDG disclosures but also in the reduction of earnings management, especially in the presence of robust governance frameworks (Chouaibi, Zouari-Hadiji, & Khlifi, 2023; Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022; Velte P. , 2024). Bridging these streams of literature, the section provided a basis for developing hypotheses concerning both the EM-driven influence on SDG disclosure as well as the conditional influence of CSRCs as moderators of this effect.

1.6.1 Earnings management (EM) and Sustainable Development Goal Disclosure (SDGD)

In the context of the United Nations SDGs the earnings management (EM) and sustainability reporting nexus become an area of interest in academic and policy discussions. Earnings management, which includes accrual-based management (AEM), is the alteration of accounting decisions or estimates to achieve specific financial results (Dechow & Skinner, 2000). Such manipulations may not be illegal, but their implications for sustainability transparency are problematic.

Organizations may use SDGs and related sustainability narratives to mask manipulation for the sake of showing compliance with the standards. The concern that these disclosures may be intended for management of stakeholders' perception, instead of serving as mechanisms for accountability, has prompted some researchers to investigate this phenomenon (Dang & Pham, 2022; Ningsih & et al., 2023). It happens to companies that, instead of performing well, overemphasize selective sustainability achievements to distract from a weak financial showing—a practice that has been dubbed SDG-washing (Nishitani, Nguyen, & Kokubu, 2024; Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018). In this way, the disclosures would SDGs fail to provide stakeholders with the accurate information on the firm's commitment to sustainable development, eroding the reliability of non-financial reports and the integrity of progress on the SDGs (Grimaldi, Caragnano, Zito, & Mariani, 2020).

From an agency theory perspective, this behavior is seen as a result of information asymmetry, where managers use discretion in financial reporting to promote their personal interests over stakeholders (Jensen & Meckling, 1976; Prior, Surroca, & Tribó, 2008). EM becomes an instrument that managers fulfill short-term targets, such as performance-linked bonuses or market expectations, while mitigating their reputational risks through symbolic SDG disclosures (Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018). These scenarios raise serious ethical issues because they distort financial and sustainability data, therefore thereby undermining stakeholders' trust and posing threats to the authenticity of sustainable development commitments (Sun, Salama, Hussainey, & Habbash, 2010).

Moreover, new empirical evidence indicates that EM is negatively correlated with SDG attainment. Companies engaging in EM tend to have lower levels of integration with the SDGs, particularly regarding those goals demanding financial transparency and responsible production (Ningsih & et al., 2023). Firms that engage in earnings management tend to exhibit weaker alignment with SDG practices, particularly those requiring transparency and responsible governance, as empirical evidence suggests that earnings manipulation undermines authentic sustainability engagement by reducing reporting credibility and stakeholder trust (Ma, 2023; Dang & Pham, 2022). This implies that opportunistic financial behavior may hinder genuine progress toward the SDGs as it conflicts with the principles of transparency, ethics, and accountability essential to sustainable development.

Moreover, high financial pressures such as leverage, earnings volatility or competitive intensity, can escalate managerial incentives to manipulate earnings while also encouraging superficial SDG disclosures (Al-Ahdal, Farhan, Imaqtari, Mhawish, & Hashim, 2024; Ho, Kampo, & Tangke, 2023). The twofold risk in this regard is of stakeholders being misled by inflated representations of sustainability efforts, while critical resources are diverted from real sustainable development initiatives (Waal & Thijssens, 2020).

The main concern rests on the difference between symbolic and substantive SDG disclosures. Some scholars indicate that the current non-financial reporting frameworks are limited in enabling meaningful accountability, as they emphasize more on quantity than content quality (Pizzi, Caputo, Corvino, & Venturelli, 2020). These limitations allow EM to coexist even alongside limited sustainability communications, that would allow a company to maintain a socially responsible image without demonstrating real impact (Waal & Thijssens, 2020).

In conclusion, earnings management can pose a serious challenge to the credibility of SDG disclosures. Their existence not only distorts financial performance but also tarnishes the integrity of sustainability narratives. If left unchecked, EM will erode foundational principles of transparency and accountability, forming the bedrock of the SDGs. Hence, upon moving towards the 2030 Agenda, there is a need for more emphasis

on integrated governance, stringent assurance of sustainability disclosures, and enhanced scrutiny of the financial motives that underlie non-financial reporting.

Despite the limited empirical evidence, the findings are inconclusive. However, the theoretical frameworks suggest that sustainability activities could be perceived as superficial and symbolic actions rather than real ones. Managers may manipulate sustainability reporting through earnings management by seeking to mask agency problems and close the legitimacy gap.

As a result, our first hypothesis can be stated as follows:

H1. There is a negative relationship between earnings management and the disclosure of Sustainable Development Goals (SDGs).

1.6.2 The moderating role of Corporate Social Responsibility Committee (CSRC)

The Corporate Social Responsibility Committee (CSRC) is a significant moderator for the nexus between earnings management (EM) and Sustainable Development Goals (SDG) disclosure. CSRCs stand at the intersection of agency theory and stakeholder theory, and act as governance mechanisms enhancing accountability, reducing opportunism, and setting management behavior in accordance with stakeholder expectations and long-term sustainability objectives (Jo & Harjoto, 2011; Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015).

The establishment of a CSR committee aligns with the principles of stakeholder theory, since it involves the creation of governing bodies (Zahm, 1989) that can effectively address the requirements of stakeholders. Furthermore, the existence of a CSR committee acts as the link between stakeholder theory and agency theory, since "CSR engagement represents a principal-agent relationship between managers and shareholders" (Jo & Harjoto, 2011). The creation of CSR committees is driven by the necessity to address agency problems and information asymmetry arising from conflicting interests between managers and various groups of stakeholders (Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015).

According to agency theory's perspective, EM is caused by information asymmetry and short-term managerial interests, causing SDG disclosures that are misaligned with actual performance or merely symbolic (Jensen & Meckling, 1976; Prior, Surroca, & Tribó,

2008). However, CSRCs are found to decentralize oversight, improve board monitoring, and reduce managerial discretion in financial and sustainability information reporting (Masud, Nurunnabi, & Bae, 2018). These committees not only promote ethical corporate conduct but also strengthen the quality and credibility of sustainability disclosures by enforcing a structured reporting process (García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

By improving the monitoring role of the board of directors and decentralizing their responsibilities (Masud, Nurunnabi, & Bae, 2018), the presence of a CSR committee can increase awareness of sustainability-related issues, mitigate conflicts of interest, and reduce information asymmetry (García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

The dual role of CSRCs in corporate governance serves to counteract earnings manipulation and enhance SDG reporting, as widely supported by empirical studies. Low levels of earnings management (EM) were found in companies with CSR engagement or sustainability awards (Chouaibi, Zouari-Hadji, & Khelifi, 2023; Chen & Hung, 2020). In much the same way, (Meqbel, Alta'any, Kayed, & Al-Omush, 2023) stated that CSRCs reduce the symbolic use of sustainability assurance reports and thus encourage more substantive reporting, which ultimately avoids the reputational risks of EM. In this way, sustainability assurance becomes a tool for transparency rather than a shield for manipulation.

On the disclosure side, CSR committees are strongly linked with superior non-financial results, notably ESG scores and SDG alignment. Over 90% of European firms with CSRCs attained higher ESG performance (Baraibar-Diez & Odriozola, 2019). Similarly, the existence of CSRC relates positively with SDG disclosure quality (Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022). The significance of board activities and attendance, indicating that CSRCs enhance transparency and drive substantive sustainability engagement in Southeast Asian companies (Sekarlangit & Wardhani, 2021).

Such concerns ultimately make the moderating role of CSRCs in the relationship between EM and SDG disclosures increasingly relevant. Some authors argue that by providing a counterbalancing force against the use of sustainability disclosures in a symbolic manner,

CSRCs allow sustainability reports to serve as a bona fide account of advancement toward SDGs rather than serving as cover for EM (Meqbel, Alta'any, Kayed, & Al-Omush, 2023). For such CSR committees to fulfill their roles in promoting credibility, the context set by board diversity and governance quality is also essential. The extent to which CSRCs assist in bringing about sound SDG disclosures depends on key contextual factors such as of governance quality and board diversity.

Nonetheless, the moderating role of CSRCs is not always automatic or uniform. It is typically amplified by the presence of contextual factors such as board independence, gender diversity, institutional ownership, and audit committee expertise (Velte P. , 2024; Ryu, Chae, & Song, 2021). For example, CSR's influence on EM is established only when supported by strong governance mechanisms (Buerthey, Sun, Lee, & Hwang, 2019), whereas CSR alone may not have such a strong negative influence on EM in a scenario without strong governance (Juliani & Ventty, 2022). These findings highlight the effectiveness of CSRCs depends on the quality of board composition and the broader governance environment.

Furthermore, the literature cautions against companies that use CSR opportunistically. Managers may use CSR initiatives as a cover for earnings management practices, turning CSR into an impression management tool rather than a genuine ethical commitment (Ningsih & et al., 2023). This supports the argument that in the absence of strong institutional frameworks, CSRCs will become largely symbolic.

In conclusion, although the existence of a CSR committee does not guarantee ethical behavior in financial reporting or sustainability, its presence significantly improves the transparency and integrity of SDG reporting when earnings management might threaten the sustainable narrative. This makes the CSRC a key moderating agent that may curtail managerial opportunism while allowing for credible sustainability disclosures.

As a result, our second hypothesis can be stated as follows:

H2: The presence of a CSR committee positively moderates the relationship between earnings management and Sustainable Development Goals (SDGs) disclosure.

Chapter Two

Methodology of the study

2.1 Research Approach

This study adopts a quantitative research approach to examine the influence of corporate governance, particularly the presence of a CSR committee on the relationship between earnings management and the disclosure of SDGs. The quantitative strategy is well suited to this topic, as it allows the systematic exploration of quantifiable variables and application of statistical methods to arrive at an objective, evidence-based conclusion. The study uses a panel dataset, allowing it to capture firm and time variability. In the end, this develop a more holistic understanding of the relationship between governance systems, financial behavior, and sustainability reporting. Overall quantitative methods provide clarity and rigor in assessing the strength and significance of these relationships. This methodological approach also contributes to the ever-growing literature on sustainability and corporate accountability.

2.2 Research population

This study examines the impact of earnings management on Sustainable Development Goals (SDG) disclosures in European companies from 2017 to 2022, using data from the ASSET4 accessed database via Thomson Reuters DataStream Worldscope. It includes firms from 19 European countries, notably the UK, Switzerland, France, and Germany, and includes all companies for which SDG disclosure data is available. The research highlights Europe's progressive environmental policies and sustainable practices, making it an ideal context for this analysis. The study also explores the moderating role of corporate social responsibility committees (CSRC), emphasizing their importance in enhancing the quality and legitimacy of SDG disclosures amid diverse regulatory frameworks and industry variations.

2.3 Research Sample

Table (3) and (4) present an overview of the sample selection process and data structure applied in the present study. The study analyzes firms operating in the European market due to Europe's advanced and mature landscape in corporate governance and sustainability reporting. Prior literature emphasizes that European companies are global

leaders in SDG-related disclosures, CSR practices, and ESG transparency (Rizzato, Tonelli, Fiandrino, & Devalle, 2023). Global Sustainability Reporting Survey shows that European firms perform better than their counterparts in any other region in complying with non-financial reporting regulations (KPMG., 2022), making them a relevant focus for investigating the relationship between earnings management and SDG disclosure and the moderating effect of CSRC over the mentioned nexus.

The dataset included 7,238 firm-year observations spread across 19 European countries of large, mid, and small-cap firms listed on major European stock exchanges for the period 2017–2022. Firm-level data were extracted from the Refinitiv Eikon (ASSET4) database for key variables such as SDG disclosure, accrual-based earnings management, ESG performance, CSR committee existence, and firm-specific characteristics (size, leverage, ROA). The study population includes all European financial and non-financial companies from several countries and sectors.

The sample selection for this study used purposive sampling based on relevant data related to board characteristics and SDG disclosures in the Asset4 –Refinitiv Eikon database. Following these selection criteria, the finalized dataset consists of 7,238 firm-year observations from 1,886 different companies during 2017-2022.

In Table (3), we geographically map the included firms from the sample analysis across the European countries. The United Kingdom had the highest concentration with 24.6% (1,781 firm-year observations), followed by Sweden with 15.9% (1,148 observations) and Germany with 13.3% (960). The concentration is likely due to the relatively greater economic scale of these countries and the mature infrastructure for sustainability reporting and norm compliance in disclosure frameworks.

On the other hand, Hungary 0.3%, Cyprus 0.4%, and Portugal 0.7% had much lower representation in the dataset. The degree of participation is suggestive of the documenting and reporting shortcomings, which in turn suggest smaller domestic markets and lower levels of corporate participation in cross-border sustainability initiatives.

Table (3)*Study sample by Country*

Country	Observations	Percentage
Austria	115	1.6%
Belgium	165	2.3%
Cyprus	31	0.4%
Denmark	207	2.9%
Finland	284	3.9%
France	672	9.3%
Germany	960	13.3%
Greece	77	1.1%
Hungary	19	0.3%
Ireland	73	1.0%
Italy	380	5.3%
Luxembourg	104	1.4%
Netherlands	234	3.2%
Poland	107	1.5%
Portugal	50	0.7%
Spain	251	3.5%
Sweden	1,148	15.9%
Switzerland	580	8.0%
United Kingdom	1,781	24.6%
Total	7,238	100%

Table (4) provides the sample's business structure using the Thomson Reuters Business Classification (TRBC), which is one of the popular industry classifiers. It allows for organized and uniform analysis across different sectors and facilitates consistent evaluation of the sustainability disclosure practices.

Table (4)*Study sample by Industry*

Industry Name	Observations	Percentage
Basic Materials	539	7.4%
Consumer Discretionary	1,303	18.0%
Consumer Staples	573	7.9%
Energy	418	5.8%
Health Care	674	9.3%
Industrials	1,804	24.9%
Real Estate	591	8.2%
Technology	720	10.0%
Telecommunications	276	3.8%
Utilities	338	4.7%
Total	7,238	100.0%

The sectoral composition of the sample participants illustrates the diversity and significance of the dataset. The exhibit illustrates that the most represented sectors include industrials 24.9%, consumer discretionary 18.0%, and technology 10.0%. These sectors, which have a pronounced concern with the direct consequence of business operations on the environment, are very telling because of the scrutiny that they face from stakeholders, public relations, or active innovation regarding how they integrate their business practices, sustainability disclosure, and governance. Given this prominence in the sample, it enables more meaningful analysis of the intersection of firm and sector characteristics and sustainability-related decisions.

On the other hand, Telecommunications 3.8% and Utilities 4.7% are represented by a small portion of the sample; however, they are very significant within the broader economy. The small sample size might indicate a sector's reluctance to engage with ESG disclosure or reporting frameworks. This knowledge, as one step deeper, assesses sectoral engagement with sustainability and provides the chance to make pointed policy suggestions. Moreover, covering a dataset of six years (2017–2022) enables tracking temporal change as well as controlling for unobserved heterogeneity.

2.4 Statistical processing and variables

2.4.1 Dependent variable

In this research, Sustainable Development Goals Disclosure (SDGD) acts as the dependent variable, measuring the extent to which firms publicly report their alignment with the 17 United Nations SDGs. The data were obtained from the Refinitiv ESG (ASSET4) database, using binary indicators (1 or 0) for each SDG. A company receives a score of 1 if it can clearly demonstrate alignment with an SDG in publicly disclosed information such as annual reports, sustainability reports, or integrated reports, and 0 otherwise (Meqbel, Alta'any, Kayed, & Al-Omush, 2023).

The SDGD Score is calculated as the ratio of the number of goals disclosed per firm-year to the total number of goals 17. The resulting continuous value therefore falls between 0 and 1. This measurement captures the depth of a company's engagement with SDGs and allows for comparison across firms and time (Meqbel, Alta'any, Kayed, & Al-Omush, 2023).

Importantly, this SDGD variable is conceptually and empirically different from the more comprehensive ESG performance score made available by Refinitiv. Thus, whereas ESG scores encompass the combined environmental, social, and governance dimensions, SDG disclosure focuses specifically on alignment with global development goals. Much previous research has highlighted this distinction, with some authors proposing that ESG scores reflect overall sustainability behavior, whereas SDG metrics capture targeted alignment with global priorities (Soni, 2023).

Not surprisingly, SDGD and ESG scores were moderately positively correlated in our data ($r = 0.312$); that is, they are related but not entirely interchangeable. It is, therefore, appropriate to include ESG performance as a control variable in our regression models. The results remained consistent after its inclusion.

A full breakdown of the 17 SDGs used to construct the dependent variable is provided in Table (2).

2.4.2 Independent variable

Earnings management

In accordance with prior research, the performance-matching model proposed by (Kothari, Leone, & Wasley, 2005) will be employed to quantify accrual-based earnings management (EM). Their model builds on (Jones, 1991) approach, which provides a proxy for firm performance and addresses potential misspecification in samples with high financial success, addressing the problem of misspecification in samples with high financial performance. Normal accruals are computed using the following model:

To estimate accrual-based earnings management (AEM), this study adopts the performance-matched discretionary accruals model, which is widely recognized in the literature. The model calculates discretionary accruals as the residuals from a regression equation that estimates normal accruals. This approach is grounded in the work of (Kothari, Leone, & Wasley, 2005), who refined the original (Jones, 1991) model by incorporating firm performance as a control variable. By doing so, the model aims to mitigate potential misspecification errors, particularly in samples that include firms with exceptionally high financial performance.

Formula for Total Accruals (TACC)

$$TACC_{it} = Net\ Income_{it} - CFO_{it}$$

Where: $TACC_{it}$ = Total Accruals for firm i in year t , $Net\ Income_{it}$ = Net income reported by the firm, CFO_{it} = Cash Flow from Operations.

Estimation of Discretionary Accruals

After calculating total accruals, we estimate the discretionary accruals using the following regression model, which is based on the Modified-Jones Model, but includes performance matching:

$$\frac{TACC_{i,t}}{TA_{i,t-1}} = \beta_0 \frac{1}{TA_{i,t-1}} + \beta_1 \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{TA_{i,t-1}} + \beta_2 \frac{PPE_{i,t}}{TA_{i,t-1}} + \beta_3 ROA_{i,t} + e_{i,t}$$

where $TACC_{i,t}$ is the total accruals for sample firm i for year t ; $TA_{i,t-1}$ is the total assets for sample firm i for year $t-1$; $\Delta REV_{i,t}$ is the change in revenue for sample firm i for year t ; $\Delta REC_{i,t}$ is the change in accounts receivable for sample firm i for year t ; $PPE_{i,t}$ is the

gross property plant and equipment for sample firm i for year t ; e_i is the error term for sample firm i for year t .

Finally, discretionary accruals are the result of the deduction of non-discretionary, accruals from (NDACC) TACC, which are estimated in the previous model:

$$DACC_{i,t} = TACC_{i,t} - NDSCC_{i,t}$$

2.4.3 Moderating variable

The CSR committee

This is a variable that indicates the existence of a Corporate Social Responsibility (CSR) committee. It is coded as a dummy variable that takes a value of 1 if the company has a CSR Committee and 0 otherwise (Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022). A CSR Committee operates at the Board of Directors to provide guidance and direction and oversee policies and progress related to social, ethical, and environmental matters of the Company.

2.4.4 Control variables

To ensure the robustness of the moderating effect of CSRC over the relationship between earnings management and Sustainable Development Goal disclosure, we used a number of control variables, theoretically and empirically connected to sustainability reporting.

A company's ESG score reflects its approach to environmental, social, and governance practices, which, in most cases, overlap with SDG priorities (Yadav, Samadhiya, Kumar, & Pandey, 2024). Company with high ESG performance will likely disclose more extensively about sustainability-related issues, including SDGs. Therefore, a positive effect is anticipated according to stakeholders' expectations and the signaling mechanism (Agarwala, Jana, & Sahu, 2023). Further, firms that are more ESG-oriented are most likely to have well-established internal systems for tracking, measuring, and disclosing social and environmental impacts-in turn, enriching their SDG reporting (Ioannou & Serafeim, 2017).

Sustainability initiatives or disclosures are more commonly undertaken by larger firms, as they face greater scrutiny from stakeholders. Empirical evidence indicates that larger firms are more likely to engage in SDG reporting due to visibility (Daniel-Vasconcelos,

Ribeiro, & Crisostomo, 2022), legitimate pressures, and their capacity to deal with complex reporting requirements (García-Sánchez, et al., 2021).

ROA serves as an indicator of a firm's profitability. The greater the profit a company generates, the higher the more likely it is to allocate resources to sustainability activities, such as detailed SDG reporting. Several studies provide evidence that a higher ROA is positively correlated with better CSR performance and more reliable disclosures (Meiryani, et al., 2023). A positive relationship is therefore expected.

Leverage serves as a measure of a firm's debt. The effect of leverage on SDG disclosure is nuanced. High leverage tends to limit flexibility and willingness to invest in sustainability reporting due to financial constraints. However, under strong governance, leveraged companies are more likely to provide more extensive of disclosures aimed at maintaining stakeholder trust (Ho, Kampo, & Tangke, 2023).

Organizations that are suffering financial losses may deprioritize voluntary disclosures, including SDG reporting, or use these disclosures to divert attention away from poor financial performance. Prior research suggests that loss-making firms are less likely to provide substantive sustainability reporting and are more likely to practice symbolic CSR (Habbash & Haddad, 2019 ; Hamza, Mezgani, & Jarboui, 2023). Therefore, a negative association is expected.

A larger board can improve oversight and monitoring functions, thereby increasing accountability and leading to more comprehensive disclosure regarding sustainability. On the resource dependency and agency theory perspectives, a larger board provides wider expertise in curbing managerial opportunism (Mondal & Sahu, 2024). Hence, board size is expected to positively affect SDG disclosure. Board duality may undermine the positive impact of CSR and ESG-related activities on curbing earnings management, potentially promoting unethical practices and hindering SDG progress. Stronger governance mechanisms, such as board independence, CSR committees, and gender diversity are more effective than others in bringing about transparency and promotion of ethical behavior and sustainable development (Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018; Habbash & Haddad, 2019).

Boards with gender diversity are more attentive to stakeholder concerns and ethical governance, which leads to more proactive sustainability strategies and disclosures. Studies have confirmed that female board presence shows a strong positive correlation with CSR as well as sustainability transparency (Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022). Hence, a positive relationship between board gender diversity and SDG reporting is expected.

2.5 Variables Measurement

Table (5)

Variables Measurement

Variable type	Variable name	Model name	Proxy
Dependent	Sustainable Development Goals disclosure	SDGDs	Percentage, Sustainable Development Goals disclosed/total number of SDG (17) Refinitiv ESG (ASSET4) database
Independent	Earning Management	EM	AEM by using the absolute value of discretionary accruals based on the performance-matched model proposed by (Kothari, Leone, & Wasley, 2005)
Moderator	Corporate Social Responsibility committee	CSRC	Dummy variable equal to 1 if the company had a CSR committee, and 0 otherwise
Control	Environmental, Social, and Governance (ESG) score	ESG	ESG score from Thomson Reuters Eikon (0–100%)
Control	Firm size	FSIZE	Natural logarithm of total Assets
Control	Return on Assets	ROA	The ratio of net income to total Assets
Control	Leverage	LEV	The ratio of long-term debt to total assets
Control	LOSS	LOSS	Dummy variable equal 1 if the company had a net loss in a given year and 0 otherwise
Control	Board size	BSIZE	Total number of board member Thomson Reuters Eikon
Control	Gender Diversity	GEND	The ratio of female directors to the total number of directors from Thomson Reuters Eikon

2.6 Empirical Model

A panel regression analysis is conducted to test the hypotheses. Model 1 examines the association between SDG disclosure and EM, along with the direct effect of CSRC. This model includes CSRC as a main effect to assess whether its presence independently correlates with SDG disclosure. Model 2 then introduces the interaction term (EM × CSRC) to examine the moderating effect of the CSR committee:

Model 1: Baseline Relationship

$$SDGD_{i,t} = \beta_0 + \beta_1 EM_{i,t-1} + \beta_2 CSRC_{i,t-1} + \beta_3 ESG_{i,t-1} + \beta_4 SIZE_{i,t-1} + \beta_5 ROA_{i,t-1} + \beta_6 LEV_{i,t-1} + \beta_7 LOSS_{i,t-1} + \beta_8 BSIZE_{i,t-1} + \beta_9 GEND_{i,t-1} + FE_{t,c,s} + \varepsilon_{i,t} \dots\dots\dots (1)$$

Model 2: Moderating Effect of CSRC

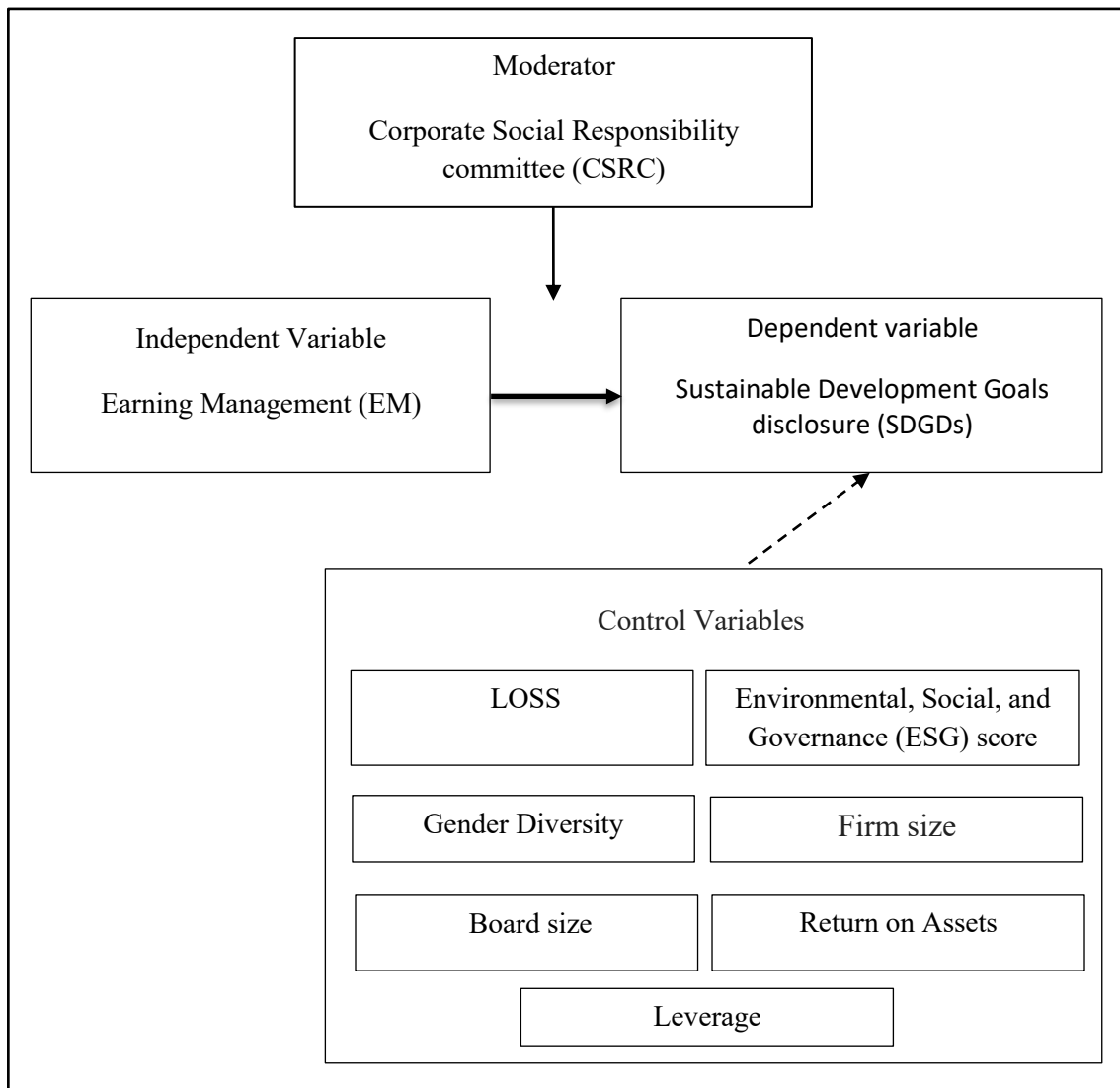
$$SDGD_{i,t} = \beta_0 + \beta_1 EM_{i,t-1} + \beta_2 CSRC_{i,t-1} + \beta_3 (EM_{i,t-1} \times CSRC_{i,t-1}) + \beta_4 ESG_{i,t-1} + \beta_5 SIZE_{i,t-1} + \beta_6 ROA_{i,t-1} + \beta_7 LEV_{i,t-1} + \beta_8 LOSS_{i,t-1} + \beta_9 BSIZE_{i,t-1} + \beta_{10} GEND_{i,t-1} + FE_{t,c,s} + \varepsilon_{i,t} \dots\dots\dots (2)$$

FE_{t,c,s}: Fixed effects for year (t), country (c), and industry/sector (s)

Where's EM × CSRC denotes the EM–CSR interaction term

Figure (1)

Study Model



2.7 Validity and Reliability

The reliability of the study is ensured by using widely accepted metrics for key variables, such as discretionary accruals for earnings management, SDG disclosure scores, and CSR committee presence. There are additional control variables that add to the content validity through the consideration of the relevant influence, such as ESG performance, firm size, and board characteristics.

Further reliability is ensured through the use of standardized panel data from 7,238 firm-year observations covering the period from 2017 to 2022, obtained from consistent sources. Additional statistical techniques, such as regression with robust standard errors and fixed effects, used in defining internally consistent and reproducible results.

Chapter Three

Research Outcomes Analysis

3.1 Empirical Results and Discussion

3.1.1 Descriptive statistics and univariate analysis

Table (6) presents the descriptive statistics for the key variables in the study. and on average, firms disclose about one-third of that required by the Sustainable Development Goals (SDGs), with a mean SDG disclosure index of 0.337 (SD = 0.312), which hints at significant differences among firm-year observations (range = 0 to 1). In other words, this implies that some firms disclosed nothing, while others provided comprehensive disclosures. while others report comprehensively.

The mean value of earnings management (EM) is 0.145 (SD = 0.154), indicating a moderate level of manipulation. This provided confirmation for earlier concerns that opportunistic managerial behaviors distort both financial and non-financial disclosures (Khelil-Rhouma & Sidhom, 2021; Healy & Wahlen, 1999; Ningsih & et al., 2023).

Regarding governance structures, around 73.3% of the firms have disclosed the presence of Corporate Social Responsibility Committee (CSRC) at the board level, reflecting a growing trend toward institutionalized oversight on sustainability activities (Liao, Luo, & Tang, 2015; García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

As for the control variables, these sample characteristics seem reasonable and are within expected ranges. The average size of the firm (natural logarithm of total assets) is 14.534 (std. dev. = 1.951), and the values range from about 0.693 to 20.129, indicating that the sample covers a wide spectrum of firm scales (very small to very large firms). The mean for return on assets (ROA) is 0.057 (5.7%), and with a standard deviation of 0.100, this exhibits great disparity with some even recording negative values (min. = -0.418), implying that several firms' year observations were either loss-making or less profitable, while a few were in a position to post considerable profits (with maximum ROA = 0.378). Indeed, 16.2% of observations report an annual loss (LOSS dummy mean = 0.162). The average leverage (LEV) is 0.218 (21.8% of assets financed by debt on average, std. dev. 0.160) and goes as high as 0.689, suggesting that our sample consists of a mix of low and high debt firms. Governance features suggest an average board of directors of about 9.792

members (Board Size, std. dev. 3.539, min = 5, max = 18) with a board gender diversity of about 31.118% (std. dev. = 13.197), meaning that on average, approximately one-third of board members are female (this range goes from 0% female directors to 100% female directors, i.e., some firms in some years have no female directors at all while some others have all-female boards). Furthermore, around 23% of the firm-year observations have a CEO who is also the board chair (Board Duality mean = 0.230). All these figures fall within plausible ranges, signaling that the data are free of obvious errors. These variations in firm characteristics will be held constant in a multivariate analysis which will allow to isolate the effects of CSRC on EM and SDG disclosure nexus.

Table (6)

Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
SDGD	0.337	0.312	0	1
EM	0.145	0.154	0.007	0.594
CSRC	0.733	0.442	0	1
ESG	59.146	18.2	1.32	95.38
Firm Size	14.534	1.951	0.693	20.129
ROA	0.057	0.1	-0.418	0.378
LEV	0.218	0.16	0	0.689
LOSS	0.162	0.368	0	1
Board Gender	31.118	13.197	0	100
Board Size	9.792	3.539	5	18
Board Duality	0.23	0.421	0	1

Table (7) presents the correlation matrix for the key variables. The correlation between SDG disclosure and the existence of a CSR committee is positive and statistically significant ($r = 0.262$, $r < .01$), indicating that firms with a CSR committee tend to engage more in SDG reporting. Likewise, SDG disclosure is moderately correlated with ESG performance ($r = 0.312$) and firm size ($r = 0.243$), which aligns with theoretical expectations suggesting that larger, more transparent organizations with stronger ESG profiles will be more inclined toward sustainability reporting.

In contrast, the correlation coefficient for earnings management (EM) and SDG disclosure is close to zero ($r = -0.001$), which suggests that there is no linear association

in the bivariate context. This weak correlation, however, may mask more complex conditional relationships that emerge only under interaction effects, such as moderation by governance mechanisms like the CSR committee. Importantly, EM is found to be significantly negatively correlated with ESG ($r = -0.111$) and also with CSRC ($r = -0.045$), which indicates that the companies exhibiting lower earnings quality tend to have weaker sustainability performance and governance

Importantly, the matrix reveals no correlation coefficients exceeding the standard multicollinearity threshold of 0.80 suggested by (Field, 2013). The highest observed correlation was between firm size and ESG score ($r = 0.611$), which is acceptable in multivariate models. All other pairwise associations, like those between firm size and CSRC ($r = 0.396$), and CSRC and ESG ($r = 0.526$), are moderate and theoretically justified. Among control variables, for example, LEV, ROA, and board characteristics tend to have low, yet theoretically expected, correlation with each other and with the dependent variables. Now, LEV is positively related to SDG disclosure ($r = 0.102$) and negatively with ROA ($r = -0.169$), reflecting the typical trade-off between debt and profitability.

Overall, the correlation structure suggests a well-behaved dataset with no apparent multicollinearity concerns. The results reinforce the theoretical assumption that governance and firm-specific characteristics are key factors in explaining variation in SDG disclosures, and support the inclusion of interaction terms in subsequent regression models.

Table (7)*Matrix of correlations*

Variables	1	2	3	4	5	6	7	8	9	10	11
(1) SDGD	1										
(2) EM	-0.001	1									
(3) CSRC	0.262	-0.045	1								
(4) ESG	0.312	-0.111	0.526	1							
(5) Firm Size	0.243	-0.125	0.396	0.611	1						
(6) ROA	-0.012	0.016	0.004	0.03	-0.058	1					
(7) LEV	0.102	-0.097	0.099	0.066	0.191	-0.169	1				
(8) LOSS	-0.024	0.134	-0.053	-0.095	-0.057	-0.588	0.14	1			
(9) Board Gender	0.149	-0.031	0.157	0.255	0.074	-0.002	0.025	-0.038	1		
(10) Board Size	0.196	-0.081	0.296	0.431	0.566	-0.088	0.054	-0.017	0.091	1	
(11) Board Duality	0.042	-0.013	0.035	0.018	0.044	0.007	-0.026	-0.032	0.039	0.105	1

3.1.1.1 Multivariate Regression Analysis

As shown in Table (8), the baseline model examines the direct effects of earnings management (EM), CSR committee (CSRC), and control variables on SDG disclosure. The results indicate a statistically significant negative association between EM and SDG disclosure ($\beta = -0.034$, $p < .05$), implying that firms engaging in higher levels of earnings manipulation tend to disclose less information related to the SDGs. This finding supports H1 and aligns with previous studies that stated that managers engaged in earnings manipulation to meet financial performance benchmarks at the expense of transparency in their non-financial disclosures (Grimaldi, Caragnano, Zito, & Mariani, 2020; Khelil-Rhouma & Sidhom, 2021). It supports the agency theory perspective where managers make decisions that prioritize self-interest over stakeholders when supervision is ineffective (Jensen & Meckling, 1976). Under these circumstances, SDG disclosures may be selectively disclosed or embellished in such a way as to mask opportunistic financial behavior that undermines credibility in sustainability narratives (Nicolò, Zanellato, Tiron-Tudor, & Polcini, 2022).

In addition, the existence of a CSR committee has a beneficial and noteworthy impact on SDG disclosure ($\beta = +0.052$, $p < .01$). This data reinforces the notion that the CSR committee fulfills a pivotal role as a governance body whose functions encompass the regulation of ethics, transparency, sustainability reporting that integrates global benchmarks, and the UN's 2030 agenda (Mallin & Michelin, 2011; Baraibar-Diez & Odriozola, 2019; Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022). These results are consistent with both stakeholder theory (Freeman, 1984), which emphasizes corporate responsibility towards a wider range of constituents, and legitimacy theory, which posits that firms maintain social approvals, or avoid legitimacy crises, by transparent SDG disclosures (Suchman, 1995; Lodhia, Kaur, & Kuruppu, 2022). Support of the evidence that CSR committees reduce symbolic disclosures, this strengthens the argument that CSR committees ensure the authenticity of the reports submitted and that these documents are not mere public relations exercises (Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022).

Additionally, several control variables showed statistically significant relationships with SDG disclosure, confirming the multidimensional nature of sustainability reporting. For example, ESG performance had a positive and significant association with SDG

disclosure ($\beta = 0.003$, $p < 0.01$), reflecting the complementary nature of ESG and SDG frameworks. This finding is consistent with prior research indicating that companies that engage in ESG metrics also tend to report comprehensively on their contributions to the SDGs (Soni, 2023). Firm size, measured by the natural logarithm of total assets, also showed a positive relationship with SDG disclosure ($\beta = 0.024$, $p < 0.01$), confirming the idea that larger companies -because of their visibility and availability of resources- attract more scrutiny from stakeholders and greater regulatory expectations. And therefore, tend to disclose more extensively (García-Sánchez, et al., 2021; Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022).

Board duality shows a positive and statistically significant effect on SDG disclosure ($\beta = 0.018$, $p < 0.01$). This means that companies in which the CEO is also the chairman of the board tend to disclose more information related to the SDGs. Which support the findings of (Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2018) suggesting that if a firm has a CSR committee, the presence of CEO duality may enhance the company's attention to social issues. Board gender diversity ($\beta = +0.001$, $p < 0.05$) and board duality ($\beta = +0.018$, $p < 0.05$) exhibits a positive effect on SDG disclosure.

Importantly, financial leverage showed a positive and significant effect ($\beta = 0.073$, $p < 0.01$), which may indicate that firms with higher financial liabilities are more motivated to disclose sustainability-related information to reassure creditors and reduce perceived investment risk (Ho, Kampo, & Tangke, 2023). Similarly, board size and gender diversity were positively associated with SDG disclosure, confirming the governance-oriented view that diverse and engaged boards are more likely to support transparent reporting practices (Mondal & Sahu, 2024).

The model has a strong explanatory power, with an adjusted R^2 of 0.33, implying that the variables included account for 33% of the variance in SDG disclosure across firms. year, industry, and country effects have been included in the model to account for any unobserved heterogeneity across temporal and institutional dimensions.

Table (8)*Regression Results - SDG Model*

Variable	Coefficient	Robust Std. Error	Significance
EM	-0.034	0.023	**
ESG	0.003	0.02	***
Firm Size	0.024	0.003	***
ROA	0.039	0.047	
LEV	0.073	0.023	***
LOSS	-0.015	0.011	
Board Gender	0.001	0.25	**
CSRC	0.052	0.009	***
Board Size	0.005	0.001	***
Board Duality	0.018	0.009	**
Year <i>fe</i>		Yes	
Country <i>fe</i>		Yes	
Industry <i>fe</i>		Yes	
Constant	-0.843	0.116	***
Model Statistics			
Adj-R-squared	0.33	# id: 1886	
Observations	7238	Period: 2017-2022	

*** p<.01, ** p<.05, * p<.1

3.1.1.2 Moderating Effects

Table (9) presents the results of a multivariate regression to assess the relationship between earnings management (EM), the presence of a corporate social responsibility committee (CSRC), and SDG disclosure, controlling for firm-level governance and financial characteristics. The model explains a significant portion of the variance in SDG disclosure (adjusted $R^2 = 0.43$) and includes fixed effects for year, country, and sector, confirming the robustness of the results across contextual differences.

The analysis confirmed a statistically significant negative interaction between EM and SDG disclosures ($\beta = -0.084$, $p < 0.05$). The finding supports the Hypothesis H1 as it aligns with agency theory, whereby managers involved in earnings manipulations tend to hide or censor outward non-financial disclosures and thus reduce scrutiny (Jensen & Meckling, 1976; Healy & Wahlen, 1999). EM can weaken disclosure credibility,

supporting prior research suggesting that EM undermines transparency in sustainability communications (Velte., 2019; Gonçalves, Gaio, & Ferro, 2021).

The CSR committee (CSRC) has a positive and statistically significant effect on SDG disclosure ($\beta=0.044$, $p < 0.01$), supporting the argument that formal governance structures can advance accountability in sustainability reporting. From the perspective of stakeholder theory, such committees establish mechanisms that integrate firm behavior with social expectations (Freeman, 1984; Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022). Thus, H2 is supported, indicating that CSRCs are effective drivers toward sustainability transparency.

More importantly, the interaction term CSRC \times EM is positive and significant ($\beta = 0.056$, $p < 0.05$), indicating the contribution of the CSR committee as a moderator of the negative relationship between the EM and SDG disclosure. This means that the CSR committees can counteract the confounding effect of EM by enhancing the integrity of SDG reporting. This moderating effect confirms legitimacy and signaling theories, which indicate that in cases of reputational pressure, companies adopt governance structures like CSRCs to enhance the credibility of their public disclosures (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Connelly, Certo, Ireland, & Reutzel, 2011).

Among the control variables, several exhibit significant and theoretically consistent effects. ESG performance had a positive effect ($\beta = 0.003$, $p < 0.01$), confirming that companies with strong ESG practices are more likely to transparently disclose their SDGs. This is consistent with previous studies demonstrating that companies with an ESG focus are more willing to report on sustainability (Ioannou & Serafeim, 2017; Soni, 2023).

Firm size is also positively associated with SDG disclosures ($\beta = 0.005$; $p < 0.01$), in line with stakeholder theory and empirical studies that larger firms bear increased pressure for disclosure while also having more available resources for sustainability initiatives (García-Sánchez, et al., 2021). ROA ($\beta = 0.039$) and LOSS ($\beta = -0.015$) are insignificant, indicating that profitability alone fails to drive SDG transparency. Such a finding suggests that disclosure behavior may be less influenced by firm performance and more by institutional and reputational factors (Pham & Tran, 2020).

Leverage (LEV) has a positive and significant influence ($\beta = 0.073$, $p < 0.01$), indicating that companies with higher debt are being pressured by creditors and stakeholders towards sustainability practice disclosure (Ho, Kampo, & Tangke, 2023). This contradicts the commonly held assumption that financial stress deters non-financial disclosures.

In terms of governance aspects, board gender diversity positively and significantly influences corporate sustainability reporting ($\beta=0.001$, $p<0.05$), emphasizing that gender-diverse boards are better able to foster ethical sensitivity and responsiveness to stakeholder concerns (Buertey, Sun, Lee, & Hwang, 2019). Board size ($\beta = 0.005$, $p < 0.01$) This result implies that larger boards can present wider-ranging perspectives toward improving sustainability oversight (Velte P. , 2024).

Surprisingly, board duality where a CEO also serves as chairman of the board has a significant and positive relationship with SDG disclosure ($\beta = 0.018$, $p < 0.05$). Although duality generally raises concern about the weakening of governance, this observation may mean that in periods of high visibility or stakeholder pressure, dual leaders present SDG information to lend short-term legitimacy to their actions, even if symbolic in nature (Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2018).

The inclusion of the interaction term increases the explanatory power of the model: Adjusted R^2 up to 0.43, which now represents an additional 10% of variance explained in SDG disclosure when compared with the main effects model. The robustness of the findings is further reinforced through the consistent significance of control variables across both models. However, these findings bring an important point concerning the governance structures and characteristics of firms that determine sustainability communication, which has implications for regulators and boards that are working to enhance the credibility of ESG and SDG disclosures.

Table (9)*Multivariate panel regression analysis with SDG Disclosure as the dependent variable*

Dependent Variable: SDGD	Coefficient	Robust Std. Error	Significance
EM	-0.084	0.036	**
CSRC	0.044	0.01	***
CSRC × EM	0.056	0.031	**
ESG	0.003	0	***
Firm Size	0.024	0.003	***
ROA	0.039	0.047	
LEV	0.073	0.023	***
LOSS	-0.015	0.011	
Board Gender	0.001	0	**
Board Size	0.005	0.001	***
Board Duality	0.018	0.009	**
Year <i>fe</i>		Yes	
Country <i>fe</i>		Yes	
Industry <i>fe</i>		Yes	
Constant	-0.837	0.115	***
Model Statistics			
Adj-R-squared	0.43	# id: 1886	
Observations	7238	Period: 2017-2022	

*** p<.01, ** p<.05, * p<.1

Chapter Four

Conclusion and Limitation

4.1 Conclusion

This study empirically investigated the moderating role of Corporate Social Responsibility (CSR) committees on the nexus between earnings management practices and SDG disclosures among European firms. This research provides an important empirical and theoretical contribution to understanding how governance mechanisms influence sustainability practices.

The findings indicate that companies practicing EM are less likely to offer comprehensive and clear disclosures on SDGs. This raises concerns that sustainability reporting is deprioritized—manipulative reporting to meet short-term financial objectives is becoming increasingly referred to as “SDG washing” (Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018; Nishitani, Nguyen, & Kokubu, 2024). Similarly, several prior studies, such as (Grimaldi, Caragnano, Zito, & Mariani, 2020; Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018) point out how the manipulation of earnings has dire consequences that undermine both financial integrity and sustainability reporting, often leading to token or misleading disclosures.

This finding confirms hypothesis H1, that earnings management (EM) and SDG disclosures are negatively related. Earlier studies (Grimaldi, Caragnano, Zito, & Mariani, 2020; Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018) have also shown that EM undermines both financial integrity as well as sustainability reporting, causing “SDG-washing” and symbolic disclosures (Nishitani, Nguyen, & Kokubu, 2024).

H2 is also supported, indicating that CSR committees play a significant moderating role in the EM and SDGD nexus, by mitigating its adverse effects. The finding is in line with stakeholder and signaling theories, suggesting that a committee serves as an effective mechanism in accountability and credible communication on sustainability (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Connelly, Certo, Ireland, & Reutzel, 2011). Therefore, this suggests that CSR committees serve as governance safeguards that enhance disclosure quality even under management pressure.

This finding is consistent with the assumptions of agency theory, which posits that managers may exploit information asymmetries to pursue personal interests at the expense of shareholders and other stakeholders (Jensen & Meckling, 1976; Dechow & Skinner, 2000). Significantly, this kind of behavior could harm the quality of disclosure and trust among stakeholders (Velte., 2019; Khelil-Rhouma & Sidhom, 2021).

Crucially, the present study demonstrates the presence of a CSR committee alters this dynamic. According to the findings the interaction term ($EM \times CSRC$) was positive and significant, indicating that firms with active CSR committees were better able to counteract the negative impact of EM on SDG reporting, which supports H2.

However, in firms where CSR committees are functioning effectively, the adverse effects of earnings management on SDG disclosure are significantly reduced. The findings would support the growing view that CSR committees constitute a governance mechanism capable of ensuring ethical oversight and fostering transparency (Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015; García-Sánchez, Gómez-Miranda, David, & Rodríguez-Ariza, 2019).

This reinforces stakeholder theory, which states that firms with strong governance mechanisms are more responsive to stakeholder expectations and are therefore more likely to draw up comprehensive sustainability reports (Bellucci & Manetti, 2018; Freeman, 1984). Specifically, stakeholder-oriented governance structures such as CSR committees, ensure balanced corporate behavior, by ensuring that social disclosures are not overlooked, even when earnings are being managed (Mahmood, Kouser, Ali, Ahmad, & Salman, 2018).

In line with legitimacy theory, organizations are expected to align their actions with social norms through credible sustainability communication (Suchman, 1995; Lodhia, Kaur, & Kuruppu, 2022). Indeed, a powerful CSR committee, a company maintains its legitimacy by maintaining credible SDG disclosure even in the face of pressures that could threaten its reporting (Silva, 2021; Lodhia, Kaur, & Kuruppu, 2022). Companies that lack this governance mechanism may inadvertently signal reduced transparency and weakened legitimacy when engaging in earnings management practices (Meqbel, Alta'any, Kayed, & Al-Omush, 2023).

According to signaling theory, SDG disclosures act as intentional signals that communicate the firm's commitment to ethical conduct and long-term sustainability, thereby influencing stakeholder perceptions and trust (Bae, Masud, & Kim, 2018). A CSR committee prevents such opportunism by institutionalizing its own reporting standards and minimizing the gap between declared intentions and actual performance (Meqbel, Alta'any, Kayed, & Al-Omush, 2023; Jiang, García-Meca, & Martínez-Ferrero, 2023). CSR committees, therefore, ensure that SDG disclosure authentically aligned with the organization's values and commitments.

From a practical standpoint, the findings of this study highlight that establishing a CSR committee is a valuable step for companies aiming to enhance the credibility of their SDG and sustainability disclosures. Such committees serve as internal oversight mechanisms, ensuring that sustainability commitments are not overshadowed by financial engineering techniques, which are sometimes used to obscure true sustainability performance (Velte., 2019; Khelil-Rhouma & Sidhom, 2021). Regulators and investors are likely to observe that companies with these governance structures provide more accurate and reliable sustainability information and are likely to adopt them (Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022).

The analysis reveals board diversity, particularly with female directors, and board size as positive influences on SDG reporting suggesting that diverse and well-resourced boards enhance disclosure quality by providing varied perspectives and robust oversight (Liao, Luo, & Tang, 2015; Bellucci & Manetti, 2018). This complements the role of CSR committees and indicates that a robust governance framework with board diversity and independent oversight bodies, as well as integrated reporting approaches to SDG disclosures, guarantees the highest quality of SDG disclosures.

Of the control variables, ESG performance, firm size, board gender diversity, and board duality were positively associated with the level of SDG disclosures (Ioannou & Serafeim, 2017; Daniel-Vasconcelos, Ribeiro, & Crisostomo, 2022; Bellucci & Manetti, 2018; Torre, Sabelfeld, Blomkvist, Tarquinio, & Dumay, 2018). Conversely, ROA and LOSS showed no significant relationship with SDG disclosures, suggesting that profitability and temporary financial downturns do not drive the sustainability reporting trend in Europe. These findings support the argument that the integrity of the governance

system and its structure appears to be more important than the short-term financial considerations in determining the SDG transparency (Meiryani, et al., 2023; Habbash & Haddad, 2019).

In conclusion, this research contributes to the understanding of how financial reporting practices converge with sustainability reporting disclosures. It provides empirical evidence that earnings management can detract from SDG disclosures transparency (Velte., 2019), and also offer a hopeful message, effective corporate governance, particularly through CSR committees, may moderate or even completely eliminate such unfavorable effects (Meqbel, Alta'any, Kayed, & Al-Omush, 2023). Companies that are serious about sustainable development and transparency should work to minimize earnings manipulation and strengthen governance structures -such as CSR committees- that promote accountability and sustainability (Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015).

In addition, this approach improves the quality of SDG disclosures and simultaneously strengthens the organization's stakeholder and societal accountability. The findings of this study correlate with other studies which highlight the importance of the balance between the quality of financial reporting and CSR, especially in the context of SDG reporting (Ioannou & Serafeim, 2017; Baraibar-Diez & Odriozola, 2019). Nevertheless, a significant element that ensures SDG disclosure is complete and honest, as well as significant for the stakeholders, is the existence of a CSR committee. Therefore, this ensures bolstering the sustainable development global agenda through more compelling institutional accountability (Gennari & Salvioni, 2018; Martínez-Ferrero, Sánchez, & Cuadrado-Ballesteros, 2015).

This body of evidence reinforces the call for stricter oversight and stronger ethical accountability in corporate reporting ensuring that financial ambition does not compromise transparency in sustainability efforts. The present research addresses a notable gap in the sustainability and corporate governance literature, particularly within the underexplored European context. Specifically, it examines the moderating role of CSR committees in the relationship between earnings management and SDG disclosure, it offers empirical evidence that extends beyond the typical focus on either EM or CSR independently, thereby advancing integrative governance research.

4.2 Implications and research limitation

The findings of this study are derived from a European context, where regulatory frameworks, such as the European Union's Corporate Sustainability Reporting Directive (CSRD), the European Green Deal, and ISO-aligned standards, create a mature environment for sustainability disclosure. These insights may hold relevance in other contexts, although their application outside of Europe must be placed within a different governance and regulatory context.

the study's findings this paper contribute indirectly to a greater social welfare by generating higher levels of transparency, ethics, and greater accountability of firms. Through effective governance mechanisms—particularly CSR committees—firms can move toward realizing a value-driven and financially sustainable approach to corporate responsibility. It fosters a more informed and ethical decision-making environment for stakeholders and lays the foundation for more responsible corporate behavior. In both the short and long term, this can lead to a greater number of companies demonstrating accountability toward society and the environment.

The findings are significant for practice and policy. Regulators and stakeholders should encourage the establishment of CSR committees in organizations to improve sustainability reporting standards. Organizations wishing to improve their non-financial transparency should consider CSR committees not just as symbolic bodies but as governance instruments that can counteract the adverse effects of earnings management.

This study has some limitations that could be addressed by future studies. First, the sample does not include private companies, thereby limits the generalizability among private firms. Finally, another limitation of this study lies in its timeframe (2017–2022), which coincides with the COVID-19 pandemic. The pandemic's disruptions may have influenced corporate reporting behaviors, leading to unusual patterns in earnings management and sustainability disclosures. This pandemic-related disruptions could affect the generalizability of results beyond crisis periods.

Future research may extend the scope of this study by considering additional contextual factors, such as industry-specific practices, regulatory environments, or firm-level governance characteristics. Therefore, future studies could replace the dummy variable used in our study, indicating the presence of a CSR committee, with the characteristics of

the corporate civil service regulatory committee (e.g., CSRC size, independence, chairperson, meetings, and average age of members).

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جامعة النجاح الوطنية
كلية الدراسات العليا

مدى تأثير لجنة المسؤولية الاجتماعية، كمتغير معدل، على
العلاقة بين إدارة الأرباح والإفصاح عن أهداف التنمية المستدامة

إعداد

علا نجيب توفيق غنام

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قدمت هذه الأطروحة استكمالاً لمتطلبات الحصول على درجة الماجستير في برنامج ماجستير المحاسبة،
من كلية الدراسات العليا، في جامعة النجاح الوطنية، نابلس - فلسطين.

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الملخص

في ضوء تزايد المخاوف بشأن مصداقية تقارير الاستدامة، تهدف هذه الدراسة إلى فحص دور لجنة المسؤولية الاجتماعية للشركات (CSR) كمتغير معدل في العلاقة بين إدارة الأرباح والإفصاح عن أهداف التنمية المستدامة (SDGs). ولتحقيق ذلك، استخدمت الدراسة بيانات بانلية مكونة من 7,238 مشاهدة سنوية لـ 1,886 شركة أوروبية خلال الفترة من 2017 إلى 2022. وقد استند التحليل إلى أربعة أطر نظرية رئيسية هي: نظرية أصحاب المصلحة، نظرية الشرعية، نظرية الوكالة، ونظرية الإشارة، وتم استخدام نماذج الانحدار المتعدد مع التأثيرات الثابتة.

أظهرت النتائج أن إدارة الأرباح تؤثر سلبًا على مستوى الإفصاح عن أهداف التنمية المستدامة، مما يشير إلى أن الانتهازية الإدارية تقوّض جودة وشفافية تلك الإفصاحات. ومع ذلك، فإن وجود لجنة للمسؤولية الاجتماعية في الشركة يخفف بشكل ملحوظ من هذا التأثير السلبي، إذ تعمل هذه اللجنة كألية حوكمة داخلية تدعم مصداقية وسلامة تقارير الإفصاح عن الاستدامة.

كما كشفت النتائج عن وجود ارتباط إيجابي بين الإفصاح عن أهداف التنمية المستدامة وكل من أداء (ESG)، وحجم الشركة، والتنوع الجندري في مجلس الإدارة، وحجم المجلس. في المقابل، لم تظهر ربحية الشركة أو الإبلاغ عن الخسائر دلالة إحصائية مهمة عند التنبؤ بمستوى الإفصاح عن أهداف التنمية المستدامة.

وتبرز هذه النتائج الأهمية الجوهرية لهياكل الحوكمة الأخلاقية في تعزيز شفافية تقارير الاستدامة، كما تؤكد على الأبعاد التطبيقية لهذه النتائج بالنسبة للشركات، والهيئات التنظيمية، وأصحاب المصلحة الساعين إلى تعزيز المساءلة المؤسسية بما يتماشى مع أجندة الأمم المتحدة للتنمية المستدامة لعام 2030.

الكلمات المفتاحية: أهداف التنمية المستدامة (SDGs)، الإفصاح عن (SDGs)، إدارة الأرباح (EM)، لجنة المسؤولية الاجتماعية، حوكمة الشركات، ESG، تقارير الاستدامة.