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Guest Editorial: Contemporary Issues in Accounting, Finance and Governance: Towards Sustainability and SDGs

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- **Introduction**

Governance and sustainability remain contested topics among scholars, practitioners, regulators, and policymakers, reflecting their complex and evolving nature. These issues are central to assessing corporate commitment to social responsibility (CSR), addressing climate change, and achieving sustainable performance within the context of circular economy transitions and the United Nations Sustainable Development Goals (SDGs) (Alkaraan, 2023) In response, the disciplines of accounting, finance, and governance are experiencing a fundamental transformation, moving beyond traditional metrics of financial performance and regulatory compliance toward integrated approaches that incorporate environmental, social, and ethical dimensions. This shift necessitates a critical examination of how financial systems, governance frameworks, and accounting practices can facilitate sustainable value creation, responsible investment, and transparent stakeholder engagement. Emerging global governance challenges, intensified by the COVID-19 pandemic, the EU Green Deal, and Brexit, have heightened concerns over supply chain resilience and strategic investment practices. Elmarzouky et al. (2024) examine the impact of Brexit-related disclosures on trade credit decisions, finding a positive relationship that varies across industries, underscoring the importance of sector-specific financial strategies. Wu et al. (2023) explore the moderating role of corporate governance and investment efficiency in the relationship between financial flexibility and firm performance, showing that strong governance and efficient investment enhance both firm value and accounting outcomes. Building on this, Wu et al. (2024) emphasise the strategic relevance of financial flexibility in post-crisis recovery, finding that it reduces overinvestment and improves performance,

particularly in market-based measures. These findings highlight the need for firms to adopt adaptive, stakeholder-informed strategies and embrace circular economy models supported by Industry 4.0 technologies, such as AI and big data, which are reshaping governance, ethics, and value creation (Alkaraan et al., 2023). In parallel, a new wave of mergers and acquisitions is emerging, driven by digital transformation and circular economy priorities. Feyisetan et al. (2025) show that ESG performance significantly increases M&A activity across sectors, though it negatively affects financial firms' performance. M&A remains a key strategy for growth, diversification, and risk mitigation, but behavioural factors like managerial overconfidence also influence outcomes. Given this complexity, scholars call for a multi-theoretical lens to better understand investment appraisal in dynamic environments (Alkaraan, 2017, 2019; Adel & Alkaraan, 2019).

Recent empirical studies underscore the pivotal role of governance and innovation in driving this sustainability-oriented transition. Wani et al. (2024) investigate the contextual factors influencing the relationship between economic development and environmental degradation by applying the Environmental Kuznets Curve (EKC) hypothesis and incorporating CO_2 emissions as an indicator. Their analysis highlights that the interplay between environmental quality, energy sources, and economic growth is significantly shaped by a country's stage of economic development. Alkaraan et al. (2022) and Hussainey et al. (2022) offer early evidence on corporate transformation towards Industry 4.0 by analysing how corporate governance influences the narrative reporting of Corporate Transformation Towards Industry 4.0. Their findings highlight the role of governance structures in shaping the quality and depth of disclosures related to digital transformation strategies. Shehadeh et al. (2024) show that corporate governance mechanisms, such as board size, meeting frequency, and the presence of Big Four auditors, significantly enhance FinTech disclosure in Jordanian banks, particularly among Islamic banks whose governance structures prioritise ethics and transparency. Similarly, Al Mulla et al. (2025) find that the COVID-19 pandemic accelerated the adoption of disruptive technologies in UAE-based SMEs, including AI and cloud-based accounting, which enhanced operational resilience. Young and Abdoush (2025) investigate how corporate governance influenced the financial stability of English Premier League football clubs during the period spanning before and throughout the COVID-19

pandemic, using data from 2018 to 2020 annual reports. Their findings indicate that clubs with smaller boards, fewer independent directors, higher female representation on boards, stronger managerial ownership, and reliance on Big Four audit firms demonstrated greater financial stability and performance during the pandemic. Among these, board diversity and Big Four auditing emerged as the most influential factors, consistently driving positive outcomes across all financial stability metrics. The study of Angsoyiri et al. (2025) examines the impact of governance and ownership structures on the financial leverage of 484 UK firms from the FTSE All-Share Index (2015–2023), with a focus on boardroom gender diversity. The analysis reveals that CEO duality, gender diversity, managerial and institutional ownership, and government shareholding are positively linked to leverage, highlighting their influence on capital structure decisions. In contrast, board size and the proportion of non-executive directors show no significant effect, suggesting limitations in current board practices. The findings contribute to the governance, finance and sustainability debate and offer practical insights for corporate governance reform in the UK.

Complementing this, Radicic and Alkaraan (2024) reveal that deeper engagement with open innovation, especially in product development, significantly boosts innovation performance in manufacturing SMEs. As sustainability becomes a strategic priority, the ability of institutions to embed these principles within their operational and reporting frameworks is increasingly seen as essential for long-term resilience and legitimacy (see Alkaraan et al., 2024) Collectively, these studies highlight how strategic adaptability, through robust governance, digital transformation, and collaborative innovation, can empower organisations to navigate uncertainty, enhance disclosure practices, and embed sustainability into core business models.

Corporate governance and sustainability have sparked ongoing dialogue among researchers, practitioners, regulators, and policymakers, an unsurprising development given their significant influence on organisational performance and broader environmental and social challenges linked to the SDGs (Alkaraan, 2021). Albitar et al. (2023) explore the impact of corporate governance mechanisms on the tone of CSR narratives and their connection to ESG disclosure in UK firms over the 2008–2017 period. Their findings indicate that greater ESG disclosure is associated with a more positive narrative tone.

Realising the full potential of innovation strategies demands robust governance structures, including board-level engagement, clearly defined oversight responsibilities, and integrated systems that align strategic functions across sales, marketing, logistics, and production (Alkaraan, 2022). Accounting, in this context, transcends its conventional role as a technical support to capital markets and emerges as a political instrument capable of reinforcing or challenging existing institutional power dynamics (Hopper et al., 2017; Alawattage & Azure, 2021). Sustainability narratives and accountability mechanisms are therefore central to shaping legitimacy and trust across both public and private domains. Fan et al. (2025) contribute meaningfully to this discourse through their study, "Decoding greenwashing practices toward sustainability: The synergistic influence of governance structure and policy-derived rhetorical strategies," which explores how internal governance mechanisms and externally imposed narratives intersect to create environments conducive to greenwashing. Their findings underline that firms may manipulate sustainability discourse to maintain legitimacy while concealing environmental deficiencies, thereby questioning the reliability of ESG disclosures and the assumption that policy alignment ensures sustainable outcomes. This aligns with growing concerns around governance integrity and highlights the need for more rigorous oversight to mitigate opportunistic behaviour. In parallel, corruption remains a critical barrier to sustainable development, as it undermines democratic values, weakens legal institutions, and disrupts effective governance through opaque practices, poor regulatory enforcement, and resource mismanagement, ultimately leading to reduced growth and increased inequality (Hussainey and Alkaraan, 2025). Strong governance frameworks are essential for ensuring transparency and responsible decision-making, ultimately supporting more equitable and sustainable outcomes (Alkaraan & Floyd, 2020).

- **Contemporary debates on sustainability, governance, and strategic integration of the SDGs**

This Special Issue brings together critical debates and emerging research on how accounting, finance, and governance can collectively address grand societal challenges, climate change, social inequality, and economic resilience, through the lens of sustainability. By examining both theoretical advancements and applied practices, this

theme seeks to explore how these disciplines contribute to the SDGs, drive systemic change, and reshape organisational legitimacy and accountability in the 21st century. The papers featured in this Special Issue contribute to contemporary debates on sustainability, governance, and strategic integration of the SDGs. These contributions can be grouped into three interconnected themes that collectively enrich our understanding of how governance mechanisms, institutional contexts, and disclosure practices shape sustainability-oriented corporate behaviour.

- **Governance structures and ESG transparency**

This theme highlights the pivotal role of corporate governance in promoting transparency, accountability, and the credibility of ESG disclosures. Rejeb and Bouzgarrou (2025) investigate how financial distress mediates the relationship between CSR investment and earnings management in French firms. Their findings suggest that distressed firms, especially in highly competitive markets, may strategically deploy CSR, particularly environmental and social initiatives, as a greenwashing mechanism to mask earnings manipulation. Complementing this, Meqbel et al. (2025) examine the impact of audit committee characteristics on carbon disclosure and environmental performance among firms in the STOXX Europe 600 index. Their results show that audit committee size, independence, and financial expertise are positively associated with both the quality of carbon disclosures and overall carbon outcomes, affirming the importance of board-level oversight in advancing environmental accountability. Similarly, Okeke et al. (2025) explore the influence of financial flexibility on dividend policy among Nigerian firms, revealing how governance and financial discretion shape corporate payout behaviours, particularly in emerging market contexts. These studies collectively emphasise that well-designed governance structures can either reinforce or undermine the transparency and reliability of ESG disclosures.

- **Contextual and institutional determinants of sustainability and SDG integration**

The second theme focuses on how institutional, regulatory, and economic contexts influence the adoption, effectiveness, and financial impact of sustainability initiatives. Khamis et al. (2025), through a meta-analysis, show that while sustainability

practices generally enhance financial performance, this relationship weakens in more economically advanced countries, indicating that the financial returns on ESG investments are context-dependent. Saini and Kharb (2025) extend this view by identifying the institutional and strategic enablers of ESG reporting adoption in India. Their study highlights the importance of standardised regulatory frameworks, governance reforms, and proactive policy efforts in facilitating credible ESG disclosure. In a similar vein, Nguyen and Duong (2025) demonstrate that sustainability reporting, particularly environmental disclosures aligned with Global Reporting Initiative standards, significantly reduces the cost of capital for Vietnamese firms. These studies affirm the Special Issue's emphasis on context-sensitive approaches to ESG, showing that institutional readiness, regulatory alignment, and local economic conditions are critical for the strategic integration of sustainability in corporate practices.

- **Advancing SDG-oriented reporting and disclosure practices**

The third theme centres on the evolving role of integrated and sustainability reporting in advancing the SDGs and promoting transparency, legitimacy, and accountability in corporate reporting. Utami et al. (2025) provide a systematic literature review that maps the theoretical foundations and emerging trends linking sustainability and integrated reporting to SDG achievement. Their review of 186 studies between 2013 and 2023 shows a sharp increase in academic interest post-2020, particularly in areas related to governance, disclosure, and the operationalisation of SDG targets. Erin et al. (2025) further consolidate this discourse by conducting a structured review of 70 high-ranking articles on SDG-related research, identifying key themes, such as SDG implementation, determinants of adoption, and disclosure practices, while also revealing significant gaps, especially in relation to developing economies and public sector engagement. Nguyen and Duong's (2025) study further strengthens this theme by empirically validating that SDG-aligned environmental disclosures enhance financial efficiency via reduced capital costs. Collectively, these studies advocate for the development of harmonised, inclusive, and strategically aligned reporting frameworks that can support the integration of the SDGs into corporate agendas, enhance stakeholder trust, and promote sustainable value creation.

- **Conclusion and future research directions and emerging paradigms**

Together, the contributions in this Special Issue offer a multidimensional view of how governance structures, institutional environments, and reporting practices interact to shape corporate responses to sustainability challenges and SDG commitments. They reinforce the urgency for context-aware, ethically grounded, and governance-led approaches to ESG integration, providing a rich foundation for future research and practice in accounting, finance, and corporate governance.

Future research at the intersection of sustainability, digital transformation, and institutional accountability should focus on key emerging paradigms to deepen insights and enhance the practical relevance of accounting, finance, governance, and artificial intelligence (AI) across the following seven research domains.

- First, studies should explore how AI technologies, such as machine learning, natural language processing, and big data analytics, can enhance the accuracy, standardisation, and timeliness of ESG and sustainability reporting. This includes examining how these tools influence assurance quality, ethical decision-making, and stakeholder trust in disclosures.
- Second, research should analyse how AI-powered decision-making systems reshape corporate governance practices, particularly in risk oversight, boardroom transparency, and algorithmic accountability. This entails evaluating governance models that address concerns around bias, explainability, and inclusive decision-making in digital environments.
- Third, applying the dynamic capabilities framework can help unpack how organisations reconfigure resources, develop new learning routines, and pursue innovation to align with sustainability goals amid technological disruption. This perspective is vital for understanding how firms achieve strategic coherence with the SDGs through both internal transformation and external collaboration.
- Fourth, scholars should investigate how AI is used by financial institutions and firms to respond to evolving stakeholder expectations related to ethics, diversity, and social inclusion, particularly in supporting responsible investment, impact measurement, and social capital accounting.
- Fifth, future research could explore how AI shapes corporate narrative disclosures and institutional storytelling in sustainability communications, including the use

of sentiment analysis, automated text generation, and tailored stakeholder messaging to construct legitimacy and convey ESG commitment.

- Sixth, researchers should examine the growing use of digital platforms in fostering cross-sector collaboration and co-creating sustainable ecosystems. This includes studying inter-organisational data sharing, blockchain-enabled transparency across value chains, and ecosystem-based governance models.
- Seventh, the rise of regulatory technology presents opportunities to enhance ESG compliance and risk monitoring. Research should assess how AI and blockchain-powered regulatory technology tools automate reporting, audit trails, and regulatory adaptation while promoting transparency, real-time ESG performance tracking, and alignment with global frameworks. regulatory technology's potential to transform accounting and governance lies in its ability to reduce human error, detect regulatory breaches, and offer agile compliance solutions, ultimately advancing corporate accountability and investor confidence in sustainability practices.

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