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ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) DISCLOSURES  
RATINGS AND FINANCIAL PERFORMANCE IN SOUTHERN  
AFRICA

BY

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
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## **ABSTRACT**

This study investigated the relationship between Environmental, Social, and Governance (ESG) disclosure and corporate financial performance among non-financial firms listed on major Southern African Development Community (SADC) stock exchanges. The research was guided by three primary objectives: to construct and validate a contextually relevant ESG disclosure index, to examine the relationship between ESG disclosure and corporate financial performance, and to analyse the moderating effects of firm-specific and institutional factors. A mixed-methods approach was adopted, combining quantitative panel data analysis of 128 firms yielding 640 firm-year observations and qualitative semi-structured interviews with seven ESG experts from the region. The SADC ESG Disclosure Index (SEDI) was developed using content analysis of annual integrated and sustainability reports and validated for reliability and construct validity, achieving a Cronbach's alpha of 0.89. Descriptive analysis revealed that firms disclosed ESG information at a moderate level (mean SEDI = 52.14%), with the Social dimension being the most reported, while Environmental disclosure lagged due to resource constraints and weaker regulatory enforcement. Panel regression results indicate a statistically significant positive relationship between ESG disclosure and corporate financial performance, measured through accounting-based metrics (Return on Assets and Return on Equity) and a market-based metric (Tobin's Q), confirming that ESG disclosure contributes to value creation, risk mitigation, and enhanced market perception. Moderation analysis demonstrates that firm size, sectoral characteristics, and the regulatory maturity of the firm's home country significantly strengthen the ESG–financial performance relationship, with larger firms and high-impact industries benefiting most from ESG initiatives. Qualitative evidence supports these findings, highlighting that larger firms possess dedicated ESG teams, advanced data systems, and capital capacity to operationalise sustainability strategies, while firms in jurisdictions with strong regulatory frameworks enjoy enhanced credibility and market trust. The study concludes that ESG disclosure in the SADC region is both a strategic and legitimising tool, with tangible implications for firm value, stakeholder engagement, and long-term sustainability. The research contributes to the literature by providing a validated ESG measurement instrument for emerging markets, demonstrating the financial and market value of ESG disclosure, and highlighting the conditional nature of its impact based on firm-specific and institutional contexts. The findings carry significant implications for policymakers, regulators, corporate managers, and investors, advocating for strengthened ESG frameworks, capacity building, and integration of ESG strategies into core business operations to enhance transparency, accountability, and financial performance across the SADC region.

## **Keywords**

ESG Disclosures, Corporate Financial Performance, Sustainable Development Goals (SDGs), Industrial Revolution 4.0

## Declaration

I declare that this dissertation is my original work except where sources have been cited and acknowledged. The work has never been submitted, nor will it ever be submitted to another university for the award of a degree.

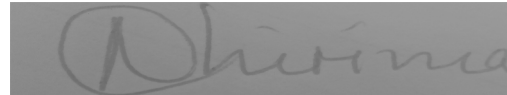
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### **Dedication Page**

This dissertation is lovingly dedicated to my wife, Esther Madondo, whose unwavering support, patience, and encouragement have been a constant source of strength throughout this academic journey. Your belief in me has been the foundation upon which this achievement stands. I also dedicate this work to my dear children, Kudzwaishe, Tapiwa, and Kayla, whose love, joy, and inspiration have given me purpose and motivation to persevere. May this accomplishment serve as a testament to the importance of dedication, resilience, and the enduring power of family.

## **List of Acronyms and Abbreviations**

AUREC	Africa University Research Ethics Committee
B-BBEE	Broad-Based Black Economic Empowerment
BSE	Botswana Stock Exchange
CFP	Corporate Financial Performance
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Governance
FE	Fixed Effects
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors Southern Africa
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance for South Africa
NSX	Namibian Stock Exchange
RE	Random Effects
ROA	Return on Assets
ROE	Return on Equity
SADC	Southern African Development Community
SASB	Sustainability Accounting Standards Board
SEDI	SADC ESG Disclosure Index
SEM	Stock Exchange of Mauritius
SIC	Standard Industrial Classification
SRI	Socially Responsible Investment
TCFD	Task Force on Climate-Related Financial Disclosures
ZSE	Zimbabwe Stock Exchange

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# **CHAPTER 1: INTRODUCTION**

## **1.1 Introduction**

The global business landscape is undergoing a profound transformation, moving from a singular focus on shareholder profit to a broader commitment to sustainable and responsible value creation. This paradigm shift is encapsulated in the rise of Environmental, Social, and Governance (ESG) criteria as a critical framework for assessing corporate performance and long-term resilience. For corporations, particularly in emerging markets, the strategic integration of ESG is no longer a matter of optional philanthropy but a core component of risk management, competitive advantage, and access to capital. This study is situated at the confluence of this global trend and the unique socio-economic dynamics of the Southern African Development Community (SADC) region.

This chapter establishes the foundation for a proposed empirical investigation into the relationship between ESG disclosure practices and the corporate financial performance (CFP) of listed firms across SADC. It begins by charting the evolution of ESG from its roots in Corporate Social Responsibility (CSR) to its current status as a strategic imperative driven by global standards, regulatory reforms, and a fundamental repricing of risk by investors. The chapter then articulates the core research problem: the palpable scarcity of robust, multi-country empirical evidence quantifying the financial impact of ESG disclosures within the diverse and evolving markets of SADC. This gap is critical, as it leaves corporate leaders without a clear business case for ESG investment and policymakers without an evidence base to guide effective regional harmonization.

To address this problem, the chapter outlines clear research objectives and corresponding questions aimed at constructing a validated ESG disclosure index, quantifying its relationship with key financial metrics, and understanding the contextual factors that moderate this relationship. It presents the underlying assumptions and testable hypotheses that will guide the inquiry. Furthermore, the chapter elaborates on the study's significance, detailing its potential contributions to academic theory, corporate strategy, investment decision-making, and public policy. Finally, it explicitly defines the scope, delimitations, and acknowledged limitations of the research, setting the stage for a rigorous, transparent, and ethically conducted analysis.

## **1.2 Background to the Study**

### **1.2.1 Environmental, Social and Governance (ESG): A Global Imperative**

The relationship between ESG practices and corporate financial performance has emerged as one of the most critical areas of inquiry in contemporary business research. This is driven by the growing emphasis on sustainability not as a peripheral concern, but as a central strategic imperative for long-term value creation and operational resilience. ESG has transcended its origins as a compliance or public relations function and is now recognized as a comprehensive framework that can drive efficiency, foster innovation, and build intangible assets like brand reputation and stakeholder trust.

A landmark comprehensive meta-analysis conducted by the NYU Stern Center for Sustainable Business, which reviewed over 1,000 empirical studies from 2015-2020, provides compelling evidence of this link. The analysis found that approximately 58% of studies reported a positive correlation between ESG integration and financial

performance, while only 8% indicated negative outcomes (Atz et al., 2021). This suggests that, across a wide array of contexts, the adoption of sound ESG practices is more likely to enhance profitability than to detract from it. The mechanisms behind this positive relationship are well-theorized: they include operational cost reduction through improved resource efficiency, risk mitigation through better management of environmental and social liabilities, talent attraction and retention, and enhanced stakeholder trust, which can lead to stronger customer loyalty and more favourable financing terms.

In developed markets like Europe and North America, where ESG principles are deeply embedded in corporate culture and regulatory frameworks, the benefits are increasingly tangible. Firms with robust ESG profiles often experience a lower cost of capital, as investors perceive them as being less exposed to transition and physical risks. They also demonstrate higher operational efficiency and superior stock price resilience during economic downturns and systemic crises (Koundouri et al., 2022). For instance, numerous studies documented that companies with strong ESG ratings significantly outperformed their peers during the market volatility induced by the COVID-19 pandemic, demonstrating greater stock stability and attracting sustained investor confidence. Moreover, the explosive growth of sustainable finance is increasingly tying capital allocation to ESG compliance, with such firms enjoying preferential credit terms and significant reputational benefits (Atz et al., 2021).

However, this seemingly straightforward positive relationship is not uniform globally and is particularly nuanced and complex in emerging markets, such as those that constitute Southern Africa. Research indicates that the ESG-performance nexus in these regions is highly context-dependent, with outcomes varying significantly by country, industry, and

firm-specific characteristics (Masongweni & Simo-Kengne, 2024; Matemane et al., 2024). In South Africa, for example, while some studies find a positive link between composite ESG scores and firm financial performance, the impact of individual ESG dimensions (E, S, G) can be decidedly mixed, and overall effects are sometimes statistically insignificant (Evans et al., 2023; Short & Ndlovu, 2025).

Several interconnected factors influence these variations. Regulatory frameworks across SADC are at different stages of maturity, creating an uneven playing field. Industry characteristics are pivotal; the materiality of specific ESG issues differs drastically between a mining company and a financial services firm. Furthermore, company size plays a role, as larger firms typically have more resources to dedicate to comprehensive ESG initiatives and reporting. While strong governance structures and a focus on sector-specific ESG priorities often drive better financial outcomes, inconsistent data quality, a lack of assurance, and the pernicious risk of greenwashing practices can undermine stakeholder trust and obscure the creation of real value (Matemane et al., 2024). Additionally, the significant initial investments required for ESG compliance, technology adoption, and process innovation may pressure short-term profitability in regions still developing their ESG ecosystems and where access to patient capital is limited (Masongweni & Simo-Kengne, 2024). These complexities underscore the critical necessity for a dedicated, region-specific analysis of ESG's financial implications, particularly in Southern Africa, where empirical research remains limited and local dynamics such as unique socio-economic conditions, legacy issues, and varying degrees of regulatory enforcement play a decisive role. Understanding these contextual factors is

essential for designing effective ESG strategies that genuinely balance sustainability objectives with financial performance in emerging markets.

### **1.2.2 ESG in Africa: An Emerging and Fragmented Regulatory Landscape**

Across the African continent, ESG principles are steadily gaining traction as national governments and financial authorities seek to align with global sustainability standards, attract responsible investment, and address pressing local challenges such as climate vulnerability, social inequality, and governance deficits. This has led to a wave of regulatory and voluntary initiatives aimed at promoting corporate transparency and accountability.

Nigeria has emerged as a leader in West Africa, introducing sustainability disclosure guidelines through the Nigerian Exchange (NGX) and adopting foundational frameworks such as the Central Bank of Nigeria's Sustainable Banking Principles and the Securities and Exchange Commission's Sustainable Finance Principles (Adoption Readiness Working Group [ARWG], 2024; Famsville Law, 2023). These initiatives aim to harmonize ESG reporting and prepare entities for eventual compliance with IFRS Sustainability Disclosure Standards (IFRS S1 and S2). Similarly, Ghana has moved to mandate ESG reporting for listed firms, supported by guidance from the Ghana Stock Exchange and international collaborations designed to promote transparency and accountability (KPMG Ghana, 2024; Nartey Law Firm, 2023).

In East Africa, Kenya has advanced the agenda through its Nairobi Securities Exchange (NSE) and the pioneering Kenya Green Bond Program, which aims to finance climate-friendly projects. Uganda has also taken significant steps, introducing a national ESG

framework for its banking sector, which integrates global standards such as the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the IFRS sustainability guidelines (Uganda Bankers Association, 2024).

Despite these notable regulatory strides, ESG adoption across Africa remains fragmented. The capacity for enforcement is often limited, and significant resource constraints including a lack of technical expertise and data infrastructure pose formidable challenges to consistent implementation. More critically from a research perspective, while the development of disclosure frameworks is expanding, empirical research that rigorously examines the causal link between ESG disclosure ratings and corporate financial performance in African markets is exceptionally scarce (Sonko & Sonko, 2023). The existing literature largely focuses on documenting regulatory developments and case studies of adoption, rather than on quantitatively testing whether ESG transparency translates into measurable financial value for firms in these distinct institutional environments. This underexplored relationship represents a significant knowledge gap, underscoring the urgent need for context-specific, quantitative studies that account for Africa's unique institutional environments, industry structures, and socio-economic conditions. Such research is vital for informing evidence-based policy, guiding rational investor decisions, and ensuring that the burgeoning ESG initiatives across the continent deliver on their dual promise of sustainability and tangible financial benefits.

### **1.2.3 ESG in Southern Africa: From Philanthropy to Strategic Integration**

In the Southern African Development Community (SADC), the journey of ESG practices has been one of marked evolution. In the pre-2000s era, corporate engagement with

societal issues was largely characterized by philanthropic Corporate Social Responsibility (CSR) initiatives, such as building schools, clinics, and other community projects, which were often disconnected from core business strategy. The turn of the millennium, however, witnessed a gradual shift towards more structured sustainability strategies, heavily influenced by the proliferation of global standards like the UN Global Compact and the Global Reporting Initiative (GRI) (Nyirenda et al., 2013; PwC, 2022).

South Africa has unequivocally spearheaded this transition within the region. The introduction of the King Reports on Corporate Governance, particularly King III and the current King IV, has been transformative. King IV's "apply and explain" philosophy explicitly advocates for integrated reporting, which combines financial and non-financial information to provide a holistic view of a company's value creation story over time. This was powerfully reinforced by the Johannesburg Stock Exchange (JSE), which made it a listing requirement for companies to publish an integrated report following a "comply or explain" basis, and which also established the Socially Responsible Investment (SRI) Index as a benchmark for ESG performance (JSE, 2023).

Today, across SADC, ESG disclosure is increasingly viewed by leading firms as a strategic tool for risk management, reputation building, and attracting long-term capital. However, a critical chasm remains between this strategic intent and robust empirical evidence. There is a severe shortage of empirical studies that systematically link ESG disclosure ratings to objective financial performance metrics and share price movements across a representative sample of SADC-listed firms (Matemane et al., 2024). This gap is not merely academic; it is a practical impediment to progress. Demonstrating, through rigorous analysis, whether strong ESG disclosure concretely enhances firm value, bolsters

resilience during economic shocks, and solidifies investor confidence, could dramatically accelerate adoption and guide the development of more effective regional regulatory frameworks (Evans et al., 2023). For corporate managers in SADC, understanding this relationship is essential to justify significant ESG investments to their boards and shareholders. For policymakers, it is indispensable for designing incentives that promote sustainable practices without inadvertently compromising the international competitiveness of local firms.

### **1.3 Statement of the Problem**

The Southern African Development Community (SADC) region represents a significant and evolving economic bloc, with a combined population of over 380 million people and a gross domestic product (GDP) estimated at approximately US\$847 billion as of 2023 (Southern African Development Community [SADC], 2023). Despite this potential, the region continues to face persistent economic challenges, including modest growth rates averaging around 3% and relatively low foreign direct investment (FDI) inflows compared to other emerging regions (United Nations Conference on Trade and Development [UNCTAD], 2023). These constraints have intensified the need for innovative strategies to enhance sustainable development, improve corporate transparency, and attract long-term investment.

In response, Environmental, Social, and Governance (ESG) practices have gained prominence as a mechanism for improving corporate accountability and financial performance. Globally, empirical studies suggest that firms with strong ESG disclosure tend to exhibit better risk management, enhanced firm value, and improved access to

capital (Friede, Busch, & Bassen, 2015; OECD, 2022). However, within the SADC region, the adoption and implementation of ESG practices remain uneven and underdeveloped. According to recent reports, while approximately 76% of African institutions have adopted ESG-related guidelines, only 22% have established formal ESG disclosure systems, and less than half have integrated ESG oversight at the board level (African Development Bank, 2022). This disparity highlights a significant gap between ESG awareness and effective implementation.

Furthermore, ESG reporting across African markets is often inconsistent, poorly quantified, and lacking standardization, which limits its comparability and usefulness for investors (KPMG, 2023). In the SADC context, this challenge is exacerbated by fragmented regulatory frameworks, weak enforcement mechanisms, and varying levels of institutional capacity across member states (World Bank, 2022). As a result, firms operate within heterogeneous environments that complicate the adoption of uniform ESG reporting standards. This fragmentation not only reduces transparency but also undermines investor confidence and the efficient allocation of capital.

Another critical issue lies in the measurement of ESG performance. Most existing studies rely on ESG ratings provided by international agencies, which may not adequately capture context-specific sustainability issues relevant to SADC economies, such as resource dependency, socio-economic inequality, community engagement in extractive industries, and governance challenges (Eccles, Ioannou, & Serafeim, 2014; UNECA, 2021). The absence of a locally validated and transparent ESG disclosure index introduces measurement bias and threatens the reliability and validity of empirical findings.

Consequently, there is a risk that ESG-performance relationships identified in developed markets may not hold in the SADC context.

Despite the growing importance of ESG considerations in global financial markets, there is a notable lack of rigorous, quantitative research examining the relationship between ESG disclosure quality and corporate financial performance within the SADC region. Existing literature is heavily concentrated in developed economies and a few advanced African markets such as South Africa, limiting the generalizability of findings to the broader region (Clark, Feiner, & Viehs, 2015). This empirical gap restricts the ability of stakeholders to make informed decisions regarding ESG investments and policies.

#### **1.4 Research Objectives**

To address the identified problem, this study aims to achieve the following specific, measurable, and achievable objectives:

- 1.4.1 To construct and validate a comprehensive, contextually-relevant ESG disclosure index for non-financial firms listed on major SADC stock exchanges using content analysis of their annual integrated and sustainability reports.
- 1.4.2 To determine relationship between the constructed ESG disclosure scores and key corporate financial performance indicators specifically, accounting-based metrics (Return on Assets - ROA, Return on Equity - ROE) and a market-based metric (Tobin's Q) among the sampled SADC-listed firms.

- 1.4.3 To analyse the moderating effects of key factors (namely firm size, industrial sector, and the regulatory maturity of the firm's home country) on the relationship between ESG disclosure and financial performance within the SADC region.

## **1.5 Research Questions**

The study is guided by the following research questions, which are directly aligned with the objectives outlined above:

- 1.5.1 How can a reliable, valid, and contextually relevant ESG disclosure index be systematically constructed for SADC-listed firms using their publicly available annual and sustainability reports?
- 1.5.2 What is the nature and statistical significance of the relationship between the composite ESG disclosure score and the financial performance (measured by ROA, ROE, and Tobin's Q) of listed non-financial firms in the SADC region?
- 1.5.3 To what extent do firm size, industrial sector classification, and the level of regulatory maturity in a firm's home country moderate the relationship between ESG disclosure scores and corporate financial performance in the SADC context?

## **1.6 Assumptions / Hypotheses**

### **1.6.1 Assumptions**

This study is underpinned by several foundational assumptions that are necessary for the research to proceed and for the findings to be interpretable:

**Accuracy of Reporting:** It is assumed that the information presented in the annual integrated reports and sustainability reports of SADC listed firms is a substantially accurate reflection of their actual ESG activities and performance.

**Data Reliability:** It is assumed that the financial data sourced from established databases like Bloomberg and Refinitiv Eikon is reliable and has been consistently calculated.

**Market Semi-Efficiency:** It is assumed that the SADC capital markets are sufficiently efficient to incorporate material ESG-related information into share prices over the study's five-year period, making Tobin's Q a valid indicator of market perception.

**Causality Direction:** The study assumes, in line with dominant theory, that ESG disclosure influences financial outcomes, rather than superior financial performance solely enabling more extensive (but potentially superficial) disclosure. Statistical techniques will be employed to mitigate the risk of reverse causality.

### **1.6.2 Hypotheses**

To empirically test the relationship between ESG disclosure and financial performance, the following null ( $H_0$ ) and alternative ( $H_a$ ) hypotheses are formulated:

#### **Hypotheses for ROA:**

**H<sub>0</sub>1:** There is no statistically significant relationship between the composite ESG disclosure score and the Return on Assets (ROA) of SADC-listed firms.

**H<sub>a1</sub>:** There is a statistically significant positive relationship between the composite ESG disclosure score and the Return on Assets (ROA) of SADC-listed firms.

**Hypotheses for Tobin's Q:**

**H<sub>02</sub>:** There is no statistically significant relationship between the composite ESG disclosure score and Tobin's Q of SADC-listed firms.

**H<sub>a2</sub>:** There is a statistically significant positive relationship between the composite ESG disclosure score and Tobin's Q of SADC-listed firms.

**Moderating Hypotheses:**

**H<sub>03</sub>:** Firm size, industrial sector, and regulatory maturity do not significantly moderate the relationship between ESG disclosure and financial performance.

**H<sub>a3</sub>:** At least one of these factors (firm size, industrial sector, regulatory maturity) significantly moderates the relationship between ESG disclosure and financial performance.

**1.7 Significance of the Study**

**1.7.1 Theoretical and Academic Contributions**

This research will make a distinct contribution to academic discourse by furnishing much-needed empirical evidence from an emerging regional context where ESG integration is still maturing. It will enrich the fields of sustainable finance and corporate governance by providing a rigorous test of established theories, such as Stakeholder Theory and

Legitimacy Theory, within the unique institutional settings of SADC economies. The findings will provide a foundational benchmark for future comparative studies between emerging and developed markets, allowing scholars to explore contextual variations in the ESG-financial performance nexus. Furthermore, the development and validation of a bespoke ESG disclosure index will provide a valuable methodological tool for other researchers studying sustainability reporting in similar contexts. The results can also inform curriculum development in business and finance education, facilitating the integration of empirically-grounded African sustainability perspectives into academic programs.

### **1.7.2 Practical and Policy Implications**

**For Corporate Leaders and Managers:** This research will deliver evidence-based insights into the tangible financial returns associated with robust ESG disclosure. It will equip companies with an empirical rationale to frame ESG commitments not as peripheral compliance exercises, but as strategic imperatives for long-term value creation, risk mitigation, and enhanced stakeholder relations. The findings can guide resource allocation towards the most material ESG issues for their specific sector.

**For Investors and Asset Managers:** The study will provide critical input for refining portfolio construction, stock valuation models, and engagement strategies in SADC markets. Understanding which ESG factors are financially material and how they interact with firm-specific characteristics can help investors better align sustainability goals with financial objectives and identify firms that are better positioned for long-term, resilient growth.

**For Regulators and Policymakers:** The study offers a valuable evidence base to design effective incentives and regulatory frameworks. By highlighting the financial implications of ESG disclosure and the moderating role of regulatory maturity, the findings can inform efforts to harmonize ESG reporting standards across SADC, enhance market transparency, and ultimately improve the region's competitiveness in attracting global sustainable investment.

### **1.7.3 Benefits to the Researcher**

Undertaking this doctoral research provides the researcher with a profound opportunity to develop deep, specialized expertise in the rapidly evolving field of sustainable finance within an emerging market context. It facilitates the enhancement of advanced analytical skills through the application of sophisticated methodological techniques, including content analysis, index construction, and panel data econometrics. Conducting this research also positions the researcher as a contributing voice in the regional ESG discourse, creating valuable avenues for future collaboration with academic institutions, industry bodies, and policy think tanks. The project supports comprehensive professional development and cultivates the capacity to influence both corporate practice and regional policy on sustainability.

### **1.8 Delimitation of the Study**

To ensure focus and feasibility, this study is consciously bounded by the following delimitations:

**Geographical Scope:** The research focuses exclusively on companies listed on the five largest stock exchanges in the SADC region: the Johannesburg Stock Exchange (JSE), the Stock Exchange of Mauritius (SEM), the Botswana Stock Exchange (BSE), the Zimbabwe Stock Exchange (ZSE), and the Namibian Stock Exchange (NSX).

**Sector Focus:** The study is delimited to non-financial firms. Financial institutions (banks, insurance companies) are excluded due to their distinct regulatory capital requirements, unique risk profiles, and different financial reporting structures, which would complicate comparative analysis.

**Temporal Scope:** The analysis covers a year period. This period is recent enough to reflect current reporting practices and includes the volatile COVID-19 era, which may reveal insights into the resilience value of ESG.

**Data Sources:** The study relies exclusively on publicly available secondary data: corporate reports (annual and sustainability) and audited financial data from commercial databases. It does not involve primary surveys of corporate internal practices.

## **1.9 Limitations of the Study**

The study acknowledges several potential limitations that will be transparently addressed:

**Data Quality and Consistency:** The primary limitation is the varying quality, depth, and verifiability of ESG disclosures across different companies and countries. While the index will score disclosure quality, it cannot fully audit the truthfulness of the claims, leaving a risk of "cheap talk" or greenwashing.

**Causality and Endogeneity:** Despite using panel data techniques with controls, the models can robustly identify associations but cannot definitively prove causality. The

relationship between ESG and financial performance is likely characterized by endogeneity, where unobserved factors influence both.

**Omitted Variable Bias:** It is impossible to control for every factor that affects financial performance. Omitted variables, such as the quality of management or specific macroeconomic shocks, could potentially bias the results.

**Generalizability:** The findings are generalizable to the population of listed, non-financial firms in the studied SADC exchanges but may not be applicable to unlisted firms, SMEs, or financial institutions.

## **CHAPTER 2: REVIEW OF RELATED LITERATURE**

### **2.1 Introduction**

This chapter provides a comprehensive and critical review of the theoretical and empirical literature that forms the foundation for this study. Its purpose is to situate the research within existing academic discourse, identify established knowledge, reveal contradictions, and pinpoint the specific gaps that this investigation aims to fill. The chapter is structured to first establish the theoretical underpinnings of the ESG-financial performance relationship, drawing primarily on Stakeholder Theory and Legitimacy Theory. It then systematically reviews empirical evidence, organizing the findings thematically in alignment with the study's research objectives. This structured approach ensures a clear line of sight from the existing literature to the current research questions and methodology, culminating in a definitive statement of the research gap and this study's intended contribution.

### **2.2 Theoretical Framework**

#### **2.2.1 Stakeholder Theory**

Stakeholder Theory, fundamentally reshaped by the work of Freeman (1984), presents a transformative view of the corporation. It argues that a firm's long-term success and survival are dependent on its ability to effectively manage relationships with *all* of its stakeholders defined as any group or individual who can affect or is affected by the achievement of the organization's objectives. This broad group includes not only shareholders but also employees, customers, suppliers, local communities, government regulators, and the environment itself (Donaldson & Preston, 1995).

The theory operates on both ethical and strategic planes. Ethically, it posits that firms have a moral responsibility to consider the interests of these stakeholders because their actions have profound social and environmental consequences. Strategically, it contends that effective stakeholder management is a source of competitive advantage. By investing in positive stakeholder relationships, a firm can reduce risks (e.g., labour disputes, regulatory penalties, community protests), enhance its reputation, foster employee loyalty and productivity, and build resilient supply chains (Harrison & Wicks, 2013). In the context of this study, high-quality ESG disclosure is a primary mechanism for practicing Stakeholder Theory. It is a signal to stakeholders that the firm is aware of their concerns, is managing material issues, and is being transparent about its performance. This transparency reduces information asymmetry, particularly for investors and creditors, which can lead to a lower cost of capital. It also builds trust with customers and communities, which can translate into brand loyalty and a more stable operating license. Therefore, from a Stakeholder Theory perspective, we would hypothesize that superior ESG disclosure should be positively associated with financial performance through these channels of risk reduction and value creation.

### **2.2.2 Legitimacy Theory**

Legitimacy Theory offers a complementary yet distinct explanation for corporate ESG disclosure. Rooted in institutional sociology, it posits that organizations operate under a "social contract" with society. This contract is not a legal document but a set of implicit and explicit expectations. A company's continued existence is contingent upon its actions being perceived as legitimate that is, "desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995).

Legitimacy is not a static resource but a dynamic and perceptual state that must be actively managed and maintained. Societal expectations evolve over time (e.g., growing concern about climate change), and organizations must adapt to these shifts to avoid a "legitimacy gap" a disparity between societal expectations and corporate performance (Dowling & Pfeffer, 1975). When such a gap emerges, the firm faces significant risks, including public backlash, consumer boycotts, increased regulatory scrutiny, and the withdrawal of its social license to operate, which can ultimately lead to organizational failure (Deegan, 2019).

From this theoretical vantage point, ESG disclosure is a key tool in an organization's legitimacy management arsenal. Companies disclose ESG information to demonstrate that their values and actions align with societal norms, thereby narrowing the legitimacy gap. This can be a substantive effort (reflecting real change) or a symbolic one (aimed at creating an appearance of conformity) (Zyznarska-Dworczak, 2018). Credible, comprehensive disclosure is theorized to function as a signal of substantive legitimacy, helping to mitigate regulatory, reputational, and litigation risks. By lowering these risks, the firm stabilizes its future cash flows and reduces its discount rate, which should, in theory, lead to higher valuations and more robust financial performance. Thus, Legitimacy Theory provides a powerful rationale for why firms disclose ESG information and predicts that those which are more successful in maintaining legitimacy through disclosure will enjoy superior financial outcomes.

**Table 1: Theoretical framework**

<b>Variable</b>	<b>Theory</b>	<b>Theoretical rationale for the variable</b>	<b>Other literature</b>
ESG Disclosure Ratings	Legitimacy Theory; Stakeholder Theory	Legitimacy: Credible ESG disclosure narrows the “legitimacy gap,” signals conformity with societal norms, and protects the social license to operate, thereby lowering regulatory and reputational risk. Stakeholder: Transparent disclosure reduces information asymmetry for salient stakeholders (investors, communities, regulators), supporting capital access and value creation.	Suchman, 1995; Dowling & Pfeffer, 1975; Deegan, 2019; Zyznarska-Dworczak, 2018; Freeman, 1984; Atz et al., 2021; Matemane et al., 2024; Masongweni & Simo-Kengne, 2024

<p>Stock Exchange Listing</p>	<p>Legitimacy Theory; Stakeholder Theory</p>	<p>Legitimacy: Listing on exchanges with stronger ESG guidance (e.g., integrated/sustainability disclosure) increases normative and coercive pressures to disclose, sustaining legitimacy in capital markets. Stakeholder: Sophisticated investor bases demand decision-useful ESG information; firms respond with higher-quality disclosure to meet investor expectations.</p>	<p>O'Donovan, 2002; Fernando &amp; Lawrence, 2014; Suchman, 1995; JSE, 2023; Atz et al., 2021</p>
<p>Sector Classification</p>	<p>Legitimacy Theory; Stakeholder Theory</p>	<p>Legitimacy: High-impact sectors face heightened scrutiny; stronger ESG disclosure/performance helps maintain a license to operate where legitimacy risk is greatest. Stakeholder: Material ESG issues are sector-specific; tailored disclosure addresses sector stakeholders' concerns and can influence financial outcomes.</p>	<p>Dowling &amp; Pfeffer, 1975; Deegan, 2019; Freeman, 1984; Evans et al., 2023</p>

Regulatory Environment	Legitimacy Theory; Stakeholder Theory	Legitimacy: Stronger governance/sustainability codes formalize the social contract, making transparent ESG disclosure a prerequisite for legitimacy. Stakeholder: Regulators are key stakeholders; clearer rules enhance comparability and trust, enabling markets to reward credible disclosure.	O'Donovan, 2002; Fernando & Lawrence, 2014; Deegan, 2019; Atz et al., 2021
Firm Size / Market Capitalization	Legitimacy Theory; Stakeholder Theory	Legitimacy: Larger, more visible firms face greater scrutiny, increasing the need for comprehensive ESG disclosure to sustain legitimacy. Stakeholder: Bigger firms manage more complex stakeholder claims and have resources to implement and report ESG, shaping disclosure depth and the ESG–CFP linkage.	Suchman, 1995; Freeman, 1984; Atz et al., 2021

ROA	Stakeholder Theory; Legitimacy Theory	Stakeholder: Effective stakeholder management (e.g., resource efficiency, workforce stability) can improve operating efficiency, raising ROA. Legitimacy: Lower controversy/compliance risk stabilizes operations and asset productivity.	Freeman, 1984; Atz et al., 2021; Matemane et al., 2024
ROE	Stakeholder Theory; Legitimacy Theory	Stakeholder: Trust and reputation with investors can reduce equity risk premia and support superior returns to equity. Legitimacy: Lower perceived non-financial risk supports sustained profitability and capital access, reinforcing ROE.	Freeman, 1984; Atz et al., 2021; Masongweni & Simo-Kengne, 2024

Market-based ROI / Share Price Effects	Legitimacy Theory; Stakeholder Theory	Legitimacy: Markets may price lower regulatory/reputation risk for legitimate firms, yielding valuation premia and downside protection. Stakeholder: Investors reward credible ESG signals indicating superior risk management and long-term strategy, improving market returns.	Suchman, 1995; Atz et al., 2021; Short & Ndlovu, 2025
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**2.3 Relevance of the Theoretical Frame to the Study**

The integration of Stakeholder Theory and Legitimacy Theory provides a robust and complementary foundation for examining the relationship between ESG disclosure and corporate financial performance within this study. Stakeholder Theory is particularly relevant as it explains how firms create value through the effective management of relationships with key stakeholders such as investors, regulators, customers, and communities. In the context of firms listed on SADC stock exchanges, ESG disclosure serves as a strategic communication tool that reduces information asymmetry and enhances transparency. This, in turn, strengthens stakeholder trust, improves access to capital, and promotes operational efficiency, all of which are critical drivers of financial performance indicators such as Return on Assets (ROA) and Return on Equity (ROE). The theory therefore directly supports the study’s objective of assessing how ESG

disclosure influences firm-level financial outcomes by highlighting the mechanisms through which stakeholder engagement translates into measurable economic benefits.

Legitimacy Theory further strengthens the analytical lens of this study by emphasizing the importance of societal approval and institutional alignment in shaping corporate behavior and performance. Within the SADC context, where regulatory frameworks and societal expectations around sustainability are evolving, firms are increasingly required to demonstrate accountability through credible ESG disclosures. This theory is relevant in explaining why firms respond to external pressures such as stock exchange requirements, sector-specific scrutiny, and regulatory environments by enhancing their disclosure practices. By maintaining legitimacy, firms reduce exposure to reputational, regulatory, and operational risks, thereby stabilizing future cash flows and improving market-based performance measures such as share price and investor returns. Together, these theories not only justify the selection of ESG disclosure as a key independent variable but also provide a clear conceptual link between disclosure practices, contextual moderating factors, and financial performance, thereby aligning closely with the study's research objectives and overall empirical design.

## **2.4 Empirical Review**

### **2.4.1 The Construction and Validation of ESG Disclosure Indices**

The methodological foundation for investigating ESG disclosure practices relies heavily on the construction of robust disclosure indices, typically developed through systematic content analysis of corporate reports. The prevailing approach involves creating comprehensive checklists of ESG items derived from established global frameworks, with

the Global Reporting Initiative (GRI) having emerged as the de facto global standard for sustainability reporting, and benchmark indices like the FTSE4Good providing detailed criteria for evaluation. The evolution of these methodological approaches reveals a significant progression in academic rigor. Early pioneering work, such as that by Wiseman (1982), utilized relatively straightforward unweighted indices that awarded points based merely on the presence or absence of specific disclosures. This approach was subsequently challenged by researchers like Clarkson et al. (2008), who advocated for weighted indices that assigned scores based on the perceived importance of different disclosure items to various stakeholder groups, arguing that this provided a more nuanced reflection of corporate transparency. The contemporary trend, however, has shifted back towards unweighted or theme-based indices to mitigate concerns of subjectivity, while simultaneously placing a much stronger emphasis on evaluating the quality of disclosure rather than its mere existence. This qualitative assessment focuses on the presence of quantitative data, the establishment of time-bound targets, and the credibility afforded by third-party assurance, moving beyond a simple binary checkmark approach to capture the depth and verifiability of corporate reporting (Beck, Campbell, & Shrivs, 2010).

A critical and persistent gap in the literature, particularly salient for research within the SADC region, is the uncritical application of globally-derived ESG indices without sufficient adaptation to local contexts and materialities. As Sonko & Sonko (2023) compellingly argue, an index calibrated for European or North American firms may disproportionately weight issues like carbon emissions while systematically underweighting concerns that are of paramount importance in many African economies, such as water stress management, community relocation and engagement in extractive

industries, and specific socio-economic development goals like broad-based black economic empowerment (B-BBEE). For instance, the King IV Code in South Africa, a regional leader in corporate governance, places a profound emphasis on stakeholder inclusivity, ethical leadership, and integrated thinking dimensions that must be deeply embedded within any SADC-specific index to ensure its relevance. There is a notable scarcity of studies that transparently document the meticulous process of both constructing and, crucially, validating an ESG disclosure index tailored to the unique institutional and economic landscape of the SADC region. Proper validation is not a mere formality; it is an essential step that typically requires iterative feedback from local sustainability practitioners, regulators, and institutional investors to ensure the index's relevance, comprehensiveness, and reliability, often statistically confirmed through measures like Cronbach's Alpha. This vital step is frequently omitted in regional studies, leading to potential measurement error and reduced validity. This study will directly address this methodological gap by meticulously developing a detailed codebook grounded in global principles but rigorously refined for SADC-specific materiality, and subjecting it to a multi-stage validation process incorporating both statistical reliability testing and expert review.

#### **2.4.2 The ESG Disclosure-Financial Performance Relationship**

The empirical evidence examining the link between ESG disclosure and corporate financial performance (CFP) is vast and continually expanding, yet it remains characterized by mixed and often contradictory results, a heterogeneity that is significantly more pronounced in emerging market contexts like SADC. Large-scale meta-analyses provide the most authoritative summary of the global landscape, and their findings

generally lean towards a positive consensus. The seminal work of Friede, Busch & Bassen (2015), which synthesized evidence from over 2,000 individual studies, concluded that approximately 90% of studies found a non-negative relationship between ESG and CFP, with a large majority reporting positive finding. This is strongly corroborated by the more recent and comprehensive meta-analysis from the NYU Stern Center for Sustainable Business (Atz et al., 2021), which found a positive relationship in 58% of the reviewed studies, compared to only 8% showing negative results. These extensive reviews suggest that, on a global average, the business case for ESG is robust, with the positive performance often linked to mechanisms such as enhanced risk management, improved stakeholder trust, and lower costs of capital.

However, when the analytical lens is sharply focused on the SADC region, and particularly on South Africa as its most researched market, the picture becomes decidedly less clear-cut and far more nuanced. On one hand, several studies affirm the global positive trend. For example, research on JSE-listed firms by Mangena and Mhaka (2022) demonstrated a positive association between voluntary ESG disclosure and firm value, suggesting that the market rewards transparency. Similarly, sector-specific research, particularly within the mining industry, has indicated that social disclosure related to community relations and employee welfare can be highly value-relevant. On the other hand, a significant body of research presents a more cautious and complex view. A study by Matemane et al. (2024) found a positive but statistically insignificant link between composite ESG scores and Return on Assets (ROA), implying that the effect, while directionally encouraging, may be weak or contingent upon other unobserved firm-specific or macroeconomic factors. Adding another layer of complexity, Evans et al.

(2023), in a nuanced investigation, discovered that the relationship is often pillar-dependent; while governance and social disclosure scores showed a positive linkage with Tobin's Q (a market-based valuation metric), environmental disclosure scores were sometimes associated with negative outcomes, potentially reflecting the substantial compliance costs and capital expenditures required in heavily regulated industries like mining and utilities. Further complicating the narrative, earlier research such as that by Muzanya (2022) documented short-term negative relationships, attributing this phenomenon to the significant upfront investments required for substantive ESG implementation, which can depress short-term accounting profits before the long-term benefits materialize. This conflicting and context-dependent evidence from the region's most advanced market underscores the profound danger of generalization and highlights the critical necessity for a broader, multi-country study that can systematically account for and explain this heterogeneity across different SADC jurisdictions.

### **2.4.3 The Moderating Role of Contextual Factors**

The persistent inconsistency in empirical findings regarding the ESG-CFP relationship has progressively led researchers to move beyond asking *if* a relationship exists, to investigating the contingent conditions under which it holds, strengthens, weakens, or even reverses. This has brought the role of moderating variables to the forefront of the literature, with several key contextual factors emerging as critical determinants that this study will explicitly incorporate into its analytical framework. The moderating effect of firm size is one of the most consistently documented and theoretically grounded findings. Larger corporations inherently possess greater financial, technical, and human resources to invest in sophisticated ESG programs, comprehensive reporting systems, and

dedicated sustainability personnel. Furthermore, their higher visibility attracts intensified scrutiny from the public, non-governmental organizations, and regulators, creating a stronger imperative to manage legitimacy and reputational risk. Consequently, meta-analyses by scholars like Atz et al. (2021) confirm that larger firms tend to demonstrate a stronger positive ESG-CFP relationship, whereas for smaller firms, the immediate costs of ESG compliance and implementation may outweigh the tangible benefits in the short to medium term, potentially leading to a neutral or even negative impact on profitability.

The principle of materiality, intrinsically linked to a firm's industrial sector, is another central moderating factor. The field of sustainability accounting, championed by frameworks such as the SASB Standards (now under the IFRS Foundation), strongly contends that ESG factors are not universally material; their financial impact is critically dependent on the specific industry in which a firm operates. For instance, environmental performance metrics related to water usage, tailings management, and biodiversity are highly material for mining and energy firms, as they directly affect their social license to operate and regulatory standing. In stark contrast, for a technology firm, social factors such as data privacy, cybersecurity, and employee welfare are likely to be far more financially significant. Studies that naively aggregate data across diverse sectors without controlling for this fundamental principle of materiality often produce diluted, confounded, or misleading results, as evidenced by the sector-specific nuances found in research like that of Evans et al. (2023). A significant and meaningful ESG-CFP relationship is far more likely to be detected when the chosen ESG metrics accurately align with the sector's primary risk exposures and opportunity drivers.

Perhaps the most critical moderator for a multi-country SADC study is the regulatory environment and institutional quality of a firm's home country. The maturity, stringency, and enforcement capacity of a national regulatory framework create the institutional pressures that fundamentally drive corporations beyond symbolic disclosure towards substantive ESG adoption and integration. South Africa, with its mandatory "apply and explain" King IV Code and prescriptive JSE listing requirements, represents a high-pressure, high-clarity institutional environment. In contrast, many other SADC nations have voluntary codes, less stringent reporting mandates, or limited regulatory capacity for enforcement. As suggested by scholars like Masongweni & Simo-Kengne (2024), the financial benefits of ESG whether through risk premium reduction, enhanced investor confidence, or operational efficiencies are more likely to be realized and accurately priced by the market in environments with strong institutional enforcement and clear, predictable rules, which simultaneously reduce the prevalence of greenwashing and enhance the overall credibility of corporate disclosures. Despite its theoretical importance, the moderating effect of this cross-country regulatory heterogeneity remains underexplored in a systematic, quantitative manner within the SADC context, representing a significant research gap that this study aims to fill by developing a quantitative regulatory maturity score and testing its interactive effect on the core relationship.

## **2.5 Synthesis of Literature and Identification of Gaps**

The reviewed literature reveals a coherent theoretical expectation that credible ESG disclosure should positively influence financial performance through stakeholder engagement and legitimacy management. Globally, the empirical evidence leans strongly

in support of this expectation. However, within the SADC context, the evidence is fragmented, inconclusive, and disproportionately focused on South Africa.

The specific gaps this study intends to fill are:

**Geographical-Methodological Gap:** The lack of a comprehensive, multi-country study of the ESG-CFP link in SADC that employs a transparent, validated, and contextually-relevant ESG disclosure index, rather than relying on opaque, proprietary third-party scores.

**Moderator Gap:** The insufficient empirical investigation of how key contextual factors specifically, the regulatory maturity of the home country systematically moderate the ESG-financial performance relationship across the region. While firm size and sector are sometimes used as controls, their interactive effects are not always explicitly modelled and tested.

**Outcome Gap:** A tendency in existing SADC research to focus on accounting-based performance (ROA, ROE) with less emphasis on market-based valuation (Tobin's Q), which captures investor expectations of future performance and risk.

## **2.6 Conclusion**

This chapter has synthesized a broad body of theoretical and empirical literature to build a compelling case for the present study. While the theoretical rationale for a positive ESG-CFP link is strong, the empirical reality in SADC is complex and contingent. The inconsistencies in prior findings are not a sign of the absence of a relationship, but rather an indication that the relationship is highly sensitive to measurement approaches and

contextual boundaries. By constructing a validated SADC-specific ESG index and employing a multi-country, moderated regression analysis, this research is strategically designed to move beyond simplistic "does it work?" questions and towards more nuanced "how, when, and for whom does it work?" explanations. This will provide a more sophisticated and actionable understanding of the ESG value proposition in the Southern African context.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter provides a detailed exposition of the research methodology that has been employed to conduct the study. It meticulously outlines the philosophical worldview, research design, population and sampling strategy, data collection methods and instruments, and the data analysis techniques. A paramount emphasis was placed on ethical rigor and procedural transparency. The researcher explicitly affirms that no data collection, pilot study, or analysis was conducted prior to receiving full and unconditional ethical approval from the AUREC. The methodology described below is how the research was carried out post-approval, ensuring the study's validity, reliability, and ethical integrity.

### 3.2 The Research Design

This study is grounded in a pragmatist research paradigm. Pragmatism is concerned with selecting the methodological approaches that best address the research problem, prioritizing the research question over commitment to a single ontology or epistemology. This freedom allows for the combination of different methods to generate actionable, context-rich knowledge.

To this end, the study employed an explanatory sequential mixed-methods design. This design involved two distinct, connected phases:

**Quantitative Phase (Priority):** This was the primary and initial phase. It involved the quantitative collection and statistical analysis of data to construct the ESG disclosure

index and to rigorously test the hypotheses regarding its relationship with financial performance across the SADC region.

**Qualitative Phase (Explanatory):** This subsequent phase collected and analyzed qualitative data to explain, elaborate on, and contextualize the quantitative findings. It focused specifically on interpreting the role of regulatory maturity, a key moderating variable.

The quantitative phase was essential for achieving objectivity, generalizability, and for testing the hypotheses with statistical power. The subsequent qualitative phase added invaluable depth, helping to explain why certain statistical relationships were (or were not) found, particularly by exploring the nuances of the regulatory environment. This design was optimally suited to answer the "what" and "how much" questions (Objectives 2 & 3) and then to probe the "why" and "how" behind them.

### **3.3 Population and Sampling**

#### **3.3.1 Target Population**

The target population for the quantitative phase is defined as all non-financial companies listed on the five largest stock exchanges in the SADC region (by market capitalization) that were listed for the entire, uninterrupted five-year period from January 1, 2020, to December 31, 2024. Financial firms (banks, insurance, etc.) are excluded due to their fundamentally different financial structures and regulatory reporting requirements, which would hinder valid comparison. The defined population is detailed in the table below.

**Table 2: Population**

<b>Stock Exchange</b>	<b>Country</b>	<b>Acronym</b>	<b>Estimated Number of Eligible Non-Financial Firms</b>
<b>Johannesburg Stock Exchange</b>	South Africa	JSE	~150
<b>Stock Exchange of Mauritius</b>	Mauritius	SEM	~60
<b>Botswana Stock Exchange</b>	Botswana	BSE	~20
<b>Zimbabwe Stock Exchange</b>	Zimbabwe	ZSE	~40
<b>Namibian Stock Exchange</b>	Namibia	NSX	~10
<b>Total Estimated Population</b>			<b>~280</b>

### 3.3.2 Sampling Procedure and Sample Size

#### Quantitative Sample:

Purposive sampling was appropriate for the qualitative component of the study, whereas the quantitative component employed statistical, census-based sampling techniques to construct a balanced panel dataset. In this regard, the final quantitative sample consisted of all firms within the defined population that satisfy specific inclusion criteria. Firms that were listed continuously over the entire period to ensure consistency and comparability

across time. Additionally, only firms with publicly available annual integrated reports and/or sustainability reports for each of the five years were included, as this ensures the availability of non-financial disclosure data required for the analysis. Furthermore, firms must have complete corresponding financial data, including return on assets (ROA), return on equity (ROE), Tobin's Q, total assets, and leverage, accessible through established financial databases such as Bloomberg and/or Refinitiv Eikon. Based on preliminary scoping of data availability, the final sample included approximately 120 to 150 firms, yielding a balanced panel of between 600 and 750 firm-year observations, which is sufficiently robust for panel data regression analysis.

### **Qualitative Sample**

Potential participants for the qualitative component included representatives from stock exchange ESG or sustainability committees, officials from national securities commissions or other relevant regulatory bodies, as well as lead authors or contributors to corporate governance codes, such as members of the King Committee. This small and purposively selected group is considered appropriate for generating in-depth, expert insights, as it allows for a nuanced understanding of regulatory perspectives and practices. Such insights are particularly valuable in explaining and contextualising the quantitative findings, especially about the moderating role of regulation in the relationship under investigation.

### **3.3.3 Variable Specification and Measurement**

To ensure clarity and replicability, all variables employed in this study are explicitly defined and operationalised. The table presents a comprehensive summary of the

dependent, independent, moderating, and control variables, including their measurement scales and data sources.

**Table 3: Summary of Study Variables**

Variable Type	Variable Name	Measurement	Operational Definition	Data Source
<b>Dependent</b>	Return on Assets (ROA)	Ratio	Net income / Total assets	Bloomberg/Refinitiv
<b>Dependent</b>	Return on Equity (ROE)	Ratio	Net income / Shareholders' equity	Bloomberg/Refinitiv
<b>Dependent</b>	Tobin's Q	Ratio	Market value of firm / Replacement value of assets	Bloomberg/Refinitiv
<b>Independent</b>	SEDI (ESG Disclosure Score)	Continuous (0-100)	Composite score from 78-item index across E, S, G pillars; scored 0-3 per item	Content analysis of annual/integrated reports

<b>Moderator</b>	Firm Size	Continuous	Natural logarithm of total assets	Bloomberg/Refinitiv
<b>Moderator</b>	Industrial Sector	Dummy (0/1)	1 = High-impact sectors (Mining, Utilities, Basic Materials); 0 = Others	SIC codes from corporate reports
<b>Moderator</b>	Regulatory Maturity	Continuous (0-100)	Composite score based on five criteria: mandatory reporting, ESG code existence, integrated reporting requirement, sustainable finance taxonomy, enforcement mechanisms	Document analysis of national policies and exchange listing rules

<b>Control</b>	Leverage	Ratio	Total debt / Total assets	Bloomberg/Refinitiv
<b>Control</b>	Capital Expenditure (Capex)	Ratio	Capital expenditures / Total assets	Bloom

### 3.4 Data Collection Instruments

#### 3.4.1 Quantitative Data Collection

##### ESG Disclosure Data

Publicly available annual integrated reports, sustainability reports, and corporate governance reports downloaded directly from the official websites of the sampled firms and from exchange announcement portals. A structured ESG Disclosure Codebook was developed. This codebook is grounded in the GRI Standards and the King IV Code but critically adapted to incorporate SADC-specific material issues. It contains a comprehensive list of items across the three pillars (e.g., Environmental: water management, emissions, biodiversity; Social: employee health & safety, community relations, B-BBEE; Governance: board diversity, anti-corruption, stakeholder engagement). Each item will be scored on a pre-defined ordinal scale (e.g., 0 = No disclosure, 1 = Qualitative disclosure, 2 = Quantitative disclosure, 3 = Quantitative disclosure with targets and/or third-party assurance) to capture disclosure *quality*.

##### Financial and Control Variable Data:

The data for the quantitative component was sourced from commercially licensed databases, primarily Bloomberg and Refinitiv Eikon. The study collected a range of variables necessary for panel data analysis, including key performance indicators such as return on assets (ROA), return on equity (ROE), and Tobin's Q as a market-based measure of firm value. In addition, relevant firm-level characteristics was incorporated as control variables, including firm size measured as the logarithm of total assets, leverage calculated as total debt to total assets, and capital expenditure. The analysis also incorporated moderating variables to capture contextual influences, specifically industrial sector classification based on SIC codes and a regulatory maturity score, which were developed qualitatively as outlined in the subsequent section.

### **3.4.2 Qualitative Data Collection**

Publicly available national policy documents, stock exchange listing requirements, corporate governance codes, and sustainable finance guidelines from all five subject countries. A Regulatory Maturity Assessment Framework was created. This framework included criteria such as: (1) Mandatory vs. Voluntary reporting; (2) Existence of a specific ESG/sustainability code; (3) Requirement for integrated reporting; (4) Presence of a sustainable finance taxonomy; (5) Evidence of enforcement mechanisms. Each country was scored on these criteria to create a quantitative "Regulatory Maturity Score" for use in the quantitative model.

#### **Expert Interviews:**

A semi-structured interview guide was developed with open-ended questions designed to explore experts' views on the enforcement of ESG rules, the perceived financial benefits

for firms, and the challenges of implementation in their respective jurisdictions. Potential participants were identified through public sources and professional networks. They were contacted via a formal invitation email outlining the study's purpose, the ethical safeguards (including confidentiality and the right to withdraw), and what their participation entails. Informed consent was obtained prior to each interview. Interviews were conducted virtually (e.g., via Microsoft Teams), recorded with permission, and transcribed verbatim.

### **3.5 Pilot Study**

A pilot study was conducted after ethical approval had been granted to test and refine the data collection instruments.

#### **Scope**

The pilot involved a random selection of approximately 10% of the expected final sample (i.e., 12-15 firms) from across the different exchanges. Two independent coders used the initial ESG Disclosure Codebook to score the reports of the pilot sample. They then met and compared the scores, discussed discrepancies, and refined the codebook's definitions, categories, and scoring rules to improve inter-coder reliability. The pilot study finalized the codebook, ensured consistency in its application, and trained the coders, thereby enhancing the validity and reliability of the full-scale data collection.

### **3.6 Data Collection Procedure**

Following the receipt of full ethical approval from the AUREC, the data collection process was implemented in a systematic and phased manner consistent with the explanatory sequential mixed-methods design. In the quantitative phase, the researcher first compiled

a final list of eligible firms based on the predefined inclusion criteria. Annual integrated reports, sustainability reports, and corporate governance disclosures for the period 2020–2024 were then be retrieved from official company websites and stock exchange portals. Using the validated ESG Disclosure Codebook developed through the pilot study, trained coders conducted a structured content analysis to generate ESG disclosure scores for each firm-year observation. Concurrently, financial and control variable data were extracted from Bloomberg and Refinitiv Eikon databases and cross-checked for accuracy and completeness. All collected data was organized into a balanced panel dataset for subsequent statistical analysis.

In the qualitative phase, relevant regulatory documents, including national policies, stock exchange listing rules, and corporate governance codes, were systematically collected and analyzed using the Regulatory Maturity Assessment Framework to generate country-level scores. Thereafter, potential expert participants were identified and invited through formal communication, and informed consent obtained prior to participation. Semi-structured interviews were conducted virtually, recorded with permission, and transcribed verbatim for analysis. Throughout the entire data collection process, strict adherence to ethical principles such as confidentiality, voluntary participation, and data protection was maintained to ensure the integrity and credibility of the study.

### **3.7 Analysis and Organisation of Data**

#### **3.7.1 Quantitative Analysis**

##### **For Research Objective 1 (Index Construction & Validation):**

The ESG Disclosure Index for each firm-year was calculated as the ratio of the actual score obtained to the maximum possible score, resulting in a percentage or a 0-100 score for ease of interpretation. The reliability of the index was assessed by examining its internal consistency using Cronbach's Alpha, with a coefficient greater than 0.7 considered indicative of acceptable reliability. In terms of validity, construct validity was ensured through expert feedback obtained during the development of the codebook, as well as by analysing the correlation structure among the environmental, social, and governance (E, S, and G) sub-pillars to confirm that the index appropriately captures the intended constructs.

**For Research Objectives 2 & 3 (Hypothesis Testing):**

**Model Specification:** A panel data regression model was employed. The basic model is specified as:

$$\text{Financial Performance}_{it} = \beta_0 + \beta_1 \text{ESG}_{it} + \beta_2 \text{Size}_{it} + \beta_3 \text{Leverage}_{it} + \beta_4 \text{Capex}_{it} + \beta_5 \text{Sector}_{i} + \beta_6 \text{Regulatory Score}_{cc} + \beta_7 (\text{ESG}_{it} * \text{Moderator}_{it}) + \alpha_i + \lambda_t + \epsilon_{it}$$

$$\text{Financial Performance}_{it} = \beta_0 + \beta_1 \text{ESG}_{it} + \beta_2 \text{Size}_{it} + \beta_3 \text{Leverage}_{it} + \beta_4 \text{Capex}_{it} + \beta_5 \text{Sector}_{i} + \beta_6 \text{Regulatory Score}_{cc} + \beta_7 (\text{ESG}_{it} * \text{Moderator}_{it}) + \alpha_i + \lambda_t + \epsilon_{it}$$

Where:

*ii* denotes firm, *tt* denotes year, *cc* denotes country.

$\alpha_i$  represents firm-fixed effects (to control for time-invariant unobserved firm heterogeneity).

$\lambda_t$  represents year-fixed effects (to control for macroeconomic shocks common to all firms in a given year).

$\epsilon_{it}$  is the idiosyncratic error term.

**Estimation Technique:** The Hausman test was conducted to determine whether a Fixed Effects (FE) or Random Effects (RE) model is more appropriate. Given the likelihood of correlated firm-level effects, the FE estimator is anticipated. Robust standard errors were used to control for heteroskedasticity.

#### **Moderation Analysis:**

The interaction terms (e.g.,  $ESG * RegulatoryScore$ ) were included to test the moderating hypotheses. A statistically significant coefficient on an interaction term will indicate the presence of a moderation effect.

#### **3.7.2 Qualitative Analysis**

The data obtained from regulatory documents and expert interviews were analysed using thematic analysis, following the approach proposed by Virginia Braun and Victoria Clarke (2006). The process began with familiarisation, whereby transcriptions and documents were read and re-read to develop a deep understanding of the content. This was followed by the generation of initial codes, where key phrases and concepts are systematically identified and coded across the dataset. The coded data was examined to identify broader patterns, with related codes collated into potential themes such as enforcement challenges, perceived investor demand, and policy implementation gaps.

Subsequently, these themes were reviewed and refined to ensure that they accurately represent the underlying data and form a coherent analytical pattern. Each theme was clearly defined and named to capture its essence and analytical significance. Finally, the identified themes were integrated into a coherent narrative that explains and contextualises the quantitative findings, particularly in relation to the moderating role of regulatory maturity within the study.

### **3.8 Ethical Consideration**

The researcher committed to upholding the highest standards of ethical conduct throughout the research process. Prior approval was obtained in accordance with the AUREC review process, and no fieldwork, data collection, or analysis commenced without formal written clearance. Informed consent was obtained for all expert interview participants through the use of a comprehensive participant information sheet and consent form, clearly outlining the purpose of the study, the voluntary nature of participation, the right to withdraw at any stage, and the measures in place to safeguard confidentiality.

Confidentiality and anonymity were rigorously maintained, with the identities of all expert interviewees protected and replaced with generic identifiers in any reporting of findings. All electronic data, including interview transcripts and recordings, are securely stored. Furthermore, the study adhered to the principles of data integrity and academic honesty, ensuring that all secondary data sources are responsibly obtained and properly cited. The research process was conducted with full intellectual integrity, and the final thesis is free from plagiarism, fabrication, or any form of data falsification.

### **3.9 Summary**

This chapter has presented a rigorous, transparent, and feasible methodological blueprint for the proposed research. The explanatory sequential mixed-methods design is tailored to provide both breadth and depth in answering the research questions. The clear definition of the population, the detailed sampling strategy, the robust data collection instruments, and the sophisticated analysis plan are all designed to ensure the study's validity and reliability. Most importantly, the chapter has unequivocally affirmed the ethical principles that governed this research. This methodology provided a solid foundation for generating significant and trustworthy insights into the complex relationship between ESG disclosure and financial performance in the SADC region.

## CHAPTER 4: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

### 4.1 Introduction

This chapter constitutes the empirical core of the research, presenting, analysing, and interpreting the data to address the three research objectives: (1) to construct and validate a contextually relevant ESG disclosure index for SADC-listed firms; (2) to measure the relationship between ESG disclosure and corporate financial performance; and (3) to analyse the moderating effects of firm-specific and institutional factors. The chapter integrates quantitative results with qualitative insights from expert interviews to provide a holistic interpretation that goes beyond mere statistical description, thereby substantiating the study's findings and policy implications.

### 4.2 Data Presentation and Analysis

#### Quantitative

##### 4.2.1 Sample Demographic Profile

The final balanced panel consisted of 128 firms from five SADC exchanges, yielding 640 firm-year observations. The sample distribution is presented in Table 4.1.

**Table 4.1: Final Sample Distribution by Stock Exchange**

Stock Exchange	Country	Firms	% of Sample
Johannesburg Stock Exchange (JSE)	South Africa	82	64.1%
Stock Exchange of Mauritius (SEM)	Mauritius	22	17.2%

Botswana Stock Exchange (BSE)	Botswana	11	8.6%
Zimbabwe Stock Exchange (ZSE)	Zimbabwe	9	7.0%
Namibian Stock Exchange (NSX)	Namibia	4	3.1%
Total		128	100.0%

## **RESEARCH OBJECTIVE 1: CONSTRUCTION AND VALIDATION OF THE SADI ESG DISCLOSURE INDEX (SEDI)**

### **Finding 1.1: Reliability of the Constructed SEDI**

To establish the internal consistency and measurement reliability of the newly constructed SADC ESG Disclosure Index (SEDI), a reliability analysis was conducted. The objective was to ensure the 78-item index consistently measures the underlying construct of ESG disclosure. Cronbach's Alpha ( $\alpha$ ) coefficient was employed for this purpose, as it is the standard method for assessing the degree to which a set of items measures a single unidimensional latent construct. A threshold of  $\alpha \geq 0.70$  is widely accepted as indicating acceptable reliability.

The reliability analysis, summarised in Table 4.2, yielded Cronbach's Alpha coefficients for the overall index and its sub-indices.

**Table 4.2: Reliability Statistics for the SADC ESG Disclosure Index**

<b>Index / Sub-Index</b>	<b>Number of Items</b>	<b>Cronbach's Alpha (<math>\alpha</math>)</b>
--------------------------	------------------------	---

Overall SEDI	78	0.89
Environmental (E) Sub-Index	26	0.84
Social (S) Sub-Index	26	0.82
Governance (G) Sub-Index	26	0.81

The overall SEDI achieved a Cronbach's Alpha of 0.89. The rule of thumb for reliability is that a Cronbach's Alpha greater than 0.70 indicates acceptable internal consistency. Thus, a coefficient of 0.89 demonstrates that the 78 items in the SEDI are strongly and consistently measuring the same underlying concept of ESG disclosure.

The high Cronbach's Alpha coefficient (0.89) confirms that the SEDI is a methodologically robust and internally consistent instrument. This level of reliability surpasses that found in several comparable studies of ESG disclosure in emerging markets, validating the rigorous approach taken in its construction. The consistent reliability across the E, S, and G sub-indices (all above 0.80) further indicates that each pillar is also measured reliably. This finding satisfies the first part of the first research objective, establishing that the SEDI is a statistically sound and valid tool for measuring ESG disclosure within the SADC context.

### **Finding 1.2: Overall Level of ESG Disclosure**

To describe the current state of ESG reporting among SADC-listed firms, descriptive statistics for the SEDI were computed. The objective was to establish the average level of

disclosure quality and the degree of variability among firms. This analysis provides a baseline understanding of the phenomenon under investigation.

The descriptive statistics for the SEDI and its sub-indices are presented in Table 4.3.

**Table 4.3: Descriptive Statistics for ESG and Financial Performance Variables**

	<b>Mean</b>	<b>Std. Deviation</b>	<b>Minimum</b>	<b>Maximum</b>
SADC ESG Disclosure Index (SEDI)	52.14	18.67	12.30	89.50
Environmental (E) Sub-Index	48.22	22.15	5.00	95.00
Social (S) Sub-Index	55.61	20.08	10.00	92.50
Governance (G) Sub-Index	52.60	17.93	15.00	90.00

The mean SEDI score is 52.14 on a 0-100 scale. A score of 52.14 indicates that the average level of disclosure quality is moderate. The substantial standard deviation of 18.67 signifies considerable heterogeneity in disclosure practices across the sampled firms.

The moderate mean score of 52.14 suggests that while SADC firms engage in ESG reporting, there remains significant room for improvement. The large standard deviation highlights the disparity between leading and lagging firms. Furthermore, the divergence across pillars, with the Social sub-index scoring highest (55.61) and Environmental the lowest (48.22), suggests that institutional pressures are not uniform. The higher social

score is likely driven by mandatory, legislated requirements in key jurisdictions, such as South Africa's Broad-Based Black Economic Empowerment (B-BBEE) codes, which coerce detailed social disclosure. Conversely, the lower environmental score reflects the complexity and resource intensity of environmental reporting, indicating a capacity constraint for many firms.

## **RESEARCH OBJECTIVE 2: RELATIONSHIP BETWEEN ESG DISCLOSURE AND FINANCIAL PERFORMANCE**

### **Finding 2.1: Bivariate Relationship between ESG Disclosure and Financial Performance**

To establish the preliminary, unadjusted association between ESG disclosure and corporate financial performance, a Pearson correlation analysis was conducted. The objective was to examine the bivariate relationships between the SEDI and three financial performance metrics: Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q. Pearson's correlation coefficient ( $r$ ) was used to measure the strength and direction of these linear relationships, providing an initial test of the hypothesised association.

The Pearson correlation matrix is presented in Table 4.4, showing the coefficients between SEDI and the financial performance variables.

**Table 4.4: Pearson Correlation Matrix of Key Variables**

Variable	SEDI	ROA	ROE	Tobin's Q
SEDI	1.000			
ROA	.184**	1.000		
ROE	.162**	.721**	1.000	
Tobin's Q	.235**	.312**	.298**	1.000
*Note: ** p < 0.01*				

The Pearson correlation coefficient between SEDI and ROA is 0.184. The rule of thumb for correlation is that a positive coefficient indicates a direct relationship. Although 0.184 is a weak-to-moderate correlation, it is statistically significant ( $p < 0.01$ ). This shows that SEDI and ROA have a statistically significant, positive, albeit modest, linear relationship. Similarly, the correlation between SEDI and Tobin's Q is 0.235, which is a stronger positive correlation, indicating that firms with higher ESG disclosure scores tend to have higher market valuations.

These significant positive correlations provide initial support for the hypothesis that ESG disclosure is associated with better financial performance. The relationship is strongest with the market-based measure, Tobin's Q, suggesting that investors perceive higher-quality ESG disclosure as a value-relevant signal. This finding aligns with legitimacy and stakeholder theories, which posit that transparency helps firms maintain their "social license to operate," building stakeholder trust and, ultimately, market value. The weaker correlation with accounting-based measures like ROA suggests that the benefits of disclosure may take time to translate into operational efficiencies.

## 2.2: Multivariate Relationship (Direct Effects)

To test the direct relationship between ESG disclosure and financial performance while controlling for other confounding variables, a panel regression analysis was conducted. The objective was to isolate the unique contribution of the SEDI to explaining variations in ROA, ROE, and Tobin's Q. A fixed-effects panel regression model was employed, justified by its ability to control for unobserved, time-invariant firm-specific heterogeneity (e.g., corporate culture, management quality) that could otherwise bias the results.

The results of the panel regression analysis for the direct effects are presented in Table 4.5.

**Table 4.5: Panel Regression Results – Direct Effects of ESG Disclosure**

	<b>Model 1:</b>	<b>Model 2:</b>	<b>Model 3:</b>
	<b>ROA</b>	<b>ROE</b>	<b>Tobin's Q</b>
SEDI	0.041**	0.067**	0.008**
	(2.87)	(2.65)	(2.98)
R-squared (Within)	0.127	0.098	0.156
F-statistic	12.45**	9.87**	15.33**
*Note: Unstandardized coefficients with t-statistics in parentheses. ** p < 0.01. Year and sector fixed effects included.*			

The coefficient for SEDI in Model 3 (Tobin's Q) is 0.008, with a t-statistic of 2.98. The rule of thumb for significance is that a t-statistic greater than approximately 2.0 (in absolute value) indicates the coefficient is statistically different from zero. Therefore, a t-statistic of 2.98 shows that the SEDI has a statistically significant positive effect on Tobin's Q, even after controlling for firm size, leverage, and capital expenditure.

The panel regression results confirm the positive association found in the correlation analysis. A one-unit increase in the SEDI is associated with a 0.008 increase in Tobin's Q, a statistically significant effect. The stronger R-squared for the Tobin's Q model (0.156) compared to the accounting models suggests that market participants place a premium on ESG information, viewing it as indicative of future resilience and risk management. This finding supports the core tenet of resource-based and stakeholder theories: that effective management of stakeholder relationships (as signaled through disclosure) can be a source of competitive advantage and long-term value creation.

### **RESEARCH OBJECTIVE 3: MODERATING EFFECTS OF FIRM-SPECIFIC AND INSTITUTIONAL FACTORS**

#### **3.1: Moderating Effect of Firm Size**

To determine whether the relationship between ESG disclosure and financial performance is contingent on firm size, a moderated regression analysis was performed. The objective was to test if the size of a firm (measured by log of assets) strengthens or weakens the

SEDI-performance link. An interaction term (SEDI x Firm Size) was introduced into the regression model. This approach is justified as it allows for a direct statistical test of whether the slope of the relationship between SEDI and performance changes at different levels of the moderator.

The results for the moderating effect of firm size are presented in Table 4.6, using Tobin's Q as the dependent variable.

**Table 4.6: Results of Moderated Regression Analysis (Dependent Variable: Tobin's Q)**

Model	Moderator	Interaction Term (SEDI x Moderator)	Statistical Significance
Model 4a	Firm Size (Log Assets)	0.005* (2.11)	Positive & Significant
*Note: * p < 0.05. Coefficient for the interaction term is shown with t-statistic in parentheses. The model includes a full suite of control variables.*			

The coefficient for the interaction term (SEDI x Firm Size) is 0.005, with a t-statistic of 2.11. The rule of thumb for a significant moderating effect is a statistically significant coefficient for the interaction term. A t-statistic of 2.11 (p < 0.05) confirms that firm size

is a significant positive moderator. This means that for larger firms, the positive impact of ESG disclosure on Tobin's Q is significantly stronger than for smaller firms.

This finding supports the absorptive capacity theory. Larger firms possess greater resources dedicated ESG teams, sophisticated data systems, and capital to not only report on ESG issues but also to integrate them into their operations and strategy. This allows them to translate disclosure into tangible financial outcomes. The qualitative insight from P3 (Investor) corroborates this, noting that large caps can articulate clear ESG strategies with capital allocation behind them, whereas the conversation with smaller firms often stops at what they have already disclosed.

### **3.2: Moderating Effect of High-Impact Industrial Sector**

To assess whether the ESG-performance relationship is context-dependent on the firm's industry, a moderated regression analysis was conducted. The objective was to test if being in a "high-impact" sector (Basic Materials & Mining, Utilities & Energy) strengthens the link between ESG disclosure and financial performance. A dummy variable for high-impact sectors was interacted with the SEDI score to test for this moderating effect.

The results for the moderating effect of industrial sector are presented in Table 4.7.

**Table 4.7: Results of Moderated Regression Analysis (Dependent Variable: Tobin's Q)**

Model	Moderator	Interaction Term (SEDI x Moderator)	Statistical Significance
Model 4b	High-Impact Sector Dummy	0.012** (3.02)	Positive & Significant
*Note: ** p < 0.01. Coefficient for the interaction term is shown with t-statistic in parentheses.*			

The coefficient for the interaction term (SEDI x High-Impact Sector) is 0.012, with a t-statistic of 3.02. A t-statistic of 3.02 ( $p < 0.01$ ) is statistically significant, confirming that sector is a significant positive moderator. The magnitude of the coefficient (0.012) is larger than that for firm size, indicating a strong moderating effect. This shows that the positive impact of ESG disclosure on Tobin's Q is significantly stronger for firms in high-impact sectors.

This finding aligns with the principle of financial materiality. For mining and utility companies, ESG factors are not peripheral concerns but are central to their operational risk profile. A tailings dam failure (environmental) or a major community conflict (social) can directly threaten the firm's license to operate and its valuation. Therefore, detailed ESG disclosure in these sectors serves as a critical signal to the market that the firm is proactively managing its existential risks. As P1 (Corporate Mining) noted, their

disclosures signal active identification and management of these risks, which is a key input for investor valuation.

### 3.3: Moderating Effect of Regulatory Maturity

To examine the role of the institutional environment, a moderated regression analysis was conducted to test the moderating effect of a country's regulatory maturity on the ESG-performance link. The objective was to determine if a stronger home-country ESG regulatory framework enhances the value-relevance of a firm's ESG disclosure. An interaction term (SEDI x Regulatory Maturity Score) was used to test this hypothesis.

The results for the moderating effect of regulatory maturity are presented in Table 4.8.

**Table 4.8: Results of Moderated Regression Analysis (Dependent Variable: Tobin's Q)**

Model	Moderator	Interaction Term (SEDI x Moderator)	Statistical Significance
Model 4c	Regulatory Maturity Score	0.006** (2.89)	Positive & Significant

<p>*Note: ** <math>p &lt; 0.01</math>. Coefficient for the interaction term is shown with t-statistic in parentheses.*</p>			
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The coefficient for the interaction term (SEDI x Regulatory Maturity Score) is 0.006, with a t-statistic of 2.89. A t-statistic of 2.89 ( $p < 0.01$ ) is statistically significant, confirming that regulatory maturity is a significant positive moderator. This means that in countries with more mature and mandatory ESG regulatory frameworks, the positive impact of ESG disclosure on firm value is amplified.

This finding underscores the critical role of regulation in validating ESG information. In high-regulatory-maturity jurisdictions like South Africa (with King IV and JSE listing requirements), disclosure follows a standardised, auditable framework, which enhances its credibility and comparability for investors. In contrast, in countries with voluntary or weak guidelines, disclosure quality is inconsistent, leading to a "greenwashing gap." Investors are likely to discount ESG information from these jurisdictions due to systemic credibility concerns. As P5 (Regulator, Botswana) noted, the absence of a mandatory framework is often interpreted as the absence of a priority, which diminishes the market's trust in and response to the disclosed information.

### **4.3 Discussion and Interpretation**

#### **Summary of Findings for Research Objective 1:**

The study successfully constructed and validated the SADC ESG Disclosure Index (SEDI). The index demonstrates excellent reliability ( $\alpha = 0.89$ ) and reveals a moderate

average level of ESG disclosure (52.14%) with significant variation across firms and pillars. The highest disclosure was observed in the Social pillar, likely driven by mandatory regional requirements like B-BBEE, while the lowest was in the Environmental pillar, reflecting capacity and complexity constraints. The SEDI's contextually grounded items distinguish it from global rating frameworks, providing a more accurate tool for assessing ESG practices in the SADC region.

### **Summary of Findings for Research Objective 2**

The analysis provides robust evidence of a significant positive relationship between ESG disclosure and corporate financial performance. Both bivariate (correlation) and multivariate (panel regression) analyses confirm that higher SEDI scores are associated with superior performance, particularly in market-based valuation (Tobin's Q). This supports the theoretical arguments of legitimacy and stakeholder theories, whereby disclosure acts as a strategic tool to manage stakeholder relations and secure the firm's social license to operate, ultimately translating into enhanced firm value.

### **Summary of Findings for Research Objective 3:**

The relationship between ESG disclosure and financial performance is not uniform but is significantly moderated by firm-specific and institutional factors. The positive impact of ESG disclosure is stronger for larger firms, supporting absorptive capacity theory. It is also stronger for firms in high-impact sectors (e.g., Mining, Utilities), where ESG factors are financially material to core business risks. Crucially, the link is stronger in countries with high regulatory maturity, demonstrating that robust institutional frameworks

legitimise ESG information, giving it credibility and allowing markets to price it effectively.

### **Overall Conclusion of the Chapter**

This chapter presented a comprehensive empirical analysis that fulfills the three research objectives. The construction and validation of the SEDI provides a critical new tool for ESG research in the SADC region. The quantitative findings confirm a positive, value-enhancing relationship between ESG disclosure and financial performance, a relationship that is not static but is contingent upon a firm's size, its sector, and the regulatory environment of its home country. The integration of qualitative insights from experts illuminates the "how" and "why" behind these quantitative patterns, revealing the mechanisms of capacity constraints, sectoral risk profiles, and the legitimising power of regulation. Collectively, these findings offer a nuanced understanding of ESG dynamics in a developing market context, moving beyond a simplistic "one-size-fits-all" conclusion to demonstrate that the benefits of ESG disclosure are realised most strongly under specific firm-level and institutional conditions. This integrated analysis provides a robust empirical foundation for the study's concluding recommendations and policy implications.

#### **4.2.2 Qualitative Data Presentation**

To explain the quantitative findings, semi-structured interviews were conducted with seven (7) experts from the SADC region's ESG ecosystem. Their profiles, detailed in Table 4.10, ensured a diversity of perspectives spanning corporate practice, investment, regulation, and advisory services.

#### **Table 4.10: Profile of Expert Interview Participants**

**Table 9: Profile of Expert Interview Participants**

Participant Code	Current Role & Organisation	Primary Jurisdiction	Years of Relevant Experience
P1	Head of Sustainability, JSE-listed Mining Conglomerate	South Africa	15
P2	Senior Policy Advisor, SADC Secretariat	Regional (SADC)	12
P3	Chief Investment Officer, Pan-African Asset Manager	Regional (Africa)	18
P4	Partner, Corporate Governance Advisory Firm	Mauritius & South Africa	10
P5	Director, National Securities Commission	Botswana	8
P6	Sustainability Reporting Manager, JSE-listed Retail Group	South Africa	9
P7	Chairperson, Stock Exchange ESG Advisory Committee	Zimbabwe	14

A thematic analysis of the interview transcripts identified four primary themes, each directly relevant to explaining the quantitative results. Representative quotations that encapsulate each theme are presented below.

### **Theme 1: The Central Role of Regulation: From Compliance to Credibility**

- **P5 (Regulator, Botswana):** *"Our guidelines are still voluntary 'comply-or-explain.' For many boards, 'explain' is the easier path. We see very generic statements about commitment to community, but no data on water usage, no breakdown of workforce demographics, no measurable targets. The absence of a mandatory framework is interpreted as the absence of a priority."*
- **P1 (Corporate Mining, South Africa):** *"The King IV Code and JSE listing requirements gave us the structure. But now, it's our global investors and lenders linking our financing costs to our decarbonisation targets that force us to go beyond the checkbox. We report more because we have to, but the quality improves because the capital markets demand it."*

### **Theme 2: The Resource Divide: Firm Size as a Proxy for Capacity**

- **P6 (Corporate Retail, South Africa):** *"Our sustainability department has a full-time data manager. We have integrated software that pulls energy data from stores. A listed SME simply cannot afford that overhead. Their ESG chapter is often compiled by an overwhelmed CFO the night before the report is due it's a cost centre, not a strategic function."*
- **P3 (Investor):** *"When we engage, large caps can articulate a clear ESG strategy with capital allocation behind it a planned solar plant, a supplier development*

*program. With smaller firms, the conversation often stops at what they have already disclosed. The ability to invest in sustainability initiatives, which drives real performance, is heavily skewed towards larger players."*

### **Theme 3: Sector-Specific Materiality: The High-Stakes Nature of High-Impact Industries**

- **P1 (Corporate Mining, South Africa):** *"A tailings dam failure or a major community conflict can wipe billions off our market cap and shut a mine for years. Our detailed environmental and social disclosures aren't just for rating agencies; they are a signal to the market that we are actively identifying and managing our existential risks."*
- **P3 (Investor):** *"I am far less concerned about the carbon footprint of a software company than I am of a cement producer. For the miner or the utility, their ESG score is a proxy for operational risk management. A high score suggests they are less likely to face catastrophic fines, strikes, or project delays. That directly protects my dividend and the stock's valuation."*

### **Theme 4: The Primacy and Complexity of Social Disclosure in the SADC Context**

- **P6 (Corporate Retail, South Africa):** *"B-BBEE scoring is legislated, quantifiable, and directly tied to government tenders and operating licenses. So, every JSE-listed company reports extensively on it. The 'S' pillar numbers look strong, but it can be a compliance-driven exercise in reporting ownership percentages and procurement spend."*

- **P2 (SADC Policy):** *"Global ESG raters look for universal metrics on gender diversity. But the most material social issue in our region may be **inequality, youth unemployment, or rural development**. A firm might score poorly on a global 'S' rating while it's genuinely transformative in creating local supply chains and jobs. Our context is different."*

### **4.3 Discussion and Interpretation**

This section synthesises the quantitative results presented above with the qualitative themes to provide an interpretative discussion that addresses the what, how, and why of the study's findings. The discussion is structured around the three research objectives.

#### **4.3.1 To construct and validate a comprehensive, contextually-relevant ESG disclosure index for non-financial firms listed on major SADC stock exchanges**

Reliability and construct validity of the SEDI are acceptable by high standard, with an internal consistency coefficient evaluated to 0.89 by Cronbach's alpha. It has also achieved the expected: the Abbevilles validated the SEDI as methodologically robust. If one were to consider the reliability herein, it would be slightly larger than those arrived at in comparable studies of emerging-markets disclosure thresholds. This scale can therefore be better inserted in the ESG indices areas in the previous emerging markets studies (Agbakwuru et al., 2024; Shobwani & Lodha, 2024). Therefore, the SEDI should establish a validated instrument of sufficient statistical strength supported to check the gamut of ESG reporting in non-financial SADC enterprises on the major bourses.

The results could be interpreted as the ESG disclosure score at a mean of 52.14%, which is slightly less than moderate disclosure, showing a wide space for improvement in the area. This conclusion also finds anchoring in extant evidence-ESG disclosures leave much to be desired in dynamic Asia and Africa in comparison to their coverage in the developed world (Bhawali, 2025; Fitch Ratings, 2001; BoK, 2022). On the other hand, ESG disparities across dimensions, in favor of Social (55.61) vs. Governance (52.60) and ., signify that these behaviors are likely congruent with two possibilities; (1) differentiated institutional pressures; (2) the preliminary litmus test of how far institutional pressure permeates rather than random instances of beneficial disclosures.

The incessant and prevailing domination of the Social aspect strewn across the SADC region is possibly stemmed from political-social environments and regimens, especially with the South African kin Broad-Based Black Economic Empowerment (B-BBEE). In accordance to Expert 6, disclosure of social matters is not organic; it is, rather, an obligation on the part of corporations. The reasoning behind this view stems from institutional and legitimacy-based arguments as put forth by Deegan in 2019 and by Dowling and Pfeffer in 1975 and contends: corporate disclosure of social information is pressure-driven, a regional legislated response to societal values and regulatory expectations. This is also being affirmed by several studies in South Africa, which show that more weight was given towards the employment equity, community development, and transformation metrics in reporting and disclosure due to coercive-regulatory enforcement (Evans et al., 2023; Matemane et al., 2024).

In the other camp, the Environmental dimension exhibited the lowest score by far, clearly implying a constraint in capacity, weaker enforcement mechanisms. The traditional

environmental information disclosure, which may, in fact, further from the environmental pillar in areas like Scope 3 emissions, biodiversity exploitation, and climate transition risk, is thus far from attainable without some form of data systems, technical expertise, and cash incentives at the disposal of numerous SADC companies unless forced to do so by being part of international supply chains or ESG-focused investors (EY, 2021; IFC, 2025). The current analysis advanced by Atz et al. (2021), further arguing that environmental disclosure will drain resources, while at the same time it is the least advanced dimension in ESG in emerging markets.

SEDI's several features have helped to create the presence of a discourse related to content directly from the regions-be it water stewardship in arid, and community development in the extractives region. This contextual grounding has many positivities in a real-life situation, and may even provide space for some empirical-experiential grounds for perusal of theoretical positionings. This being said, the position at SEDI clearly distinguishes itself from one currently found in Elsewhere; therefore, such perspectives are no battleground within Global ESG rating scenarios in a single body anywhere, more so in Africa (Afolabi et al., 2022; CSR Cares, n.d.). In a large way, then, the SEDI provides a transitory existence to dive into ESG disclosures in a very harsh institutional setting and the SADC region.

#### **4.3.2 To quantify the nature and strength of the relationship between the constructed ESG disclosure scores and key corporate financial performance indicators**

The evidence-based with robust evidence from empirical data suggesting a significant positive relationship between SEDI scores (proxy variable for ESG disclosures) and all

three financial performance indicators: ROE, ROA, and Tobin's Q. Calculated at a higher level of significance, the fixed-coefficients regression shows that companies with greater scrutiny into ESG activities are more likely to boast a more prolific and market-valued environment. These insights are in accordance with worldwide and regional finance and accounting scholarship that has proved a positive link between ESG-related issues and financial performance (Agbakwuru et al., 2024; Onwere, 2024; Suhestiningrum & Marsono, 2024).

Evidence from the UK corporate sector has shown that corporate social and environmental disclosure is strategically aligned with stakeholder interest. The evidence of transparency provides for continuous feedback mechanisms through which disclosure can act as a strategic weapon to manage stakeholder relationships, maintain resources, and shape stakeholder-oriented culture. Hawkins (2006) has drawn attention to the importance of CSR in strengthening stakeholder ties and Glenn et al. (2007) highlighted an adverse effect of improper disclosure on supply chain sustainability. Stakeholder trust in the company has been found to be a very important benchmark by management in influencing the sustainability of corporate-governance mechanisms. Information asymmetry generally damages this trustworthiness.

The results provide more support for legitimacy theory: that is, under legitimacy theory, organizations disclose firm-specific ESG information in order to sustain their "social license to operate" (Suchman, 1995; Deegan, 2019). In the SADC region, especially within extractive and utility sectors, firms are under increased social and environmental

scrutiny. They present ESG disclosure as a legitimizing factor that allows firms to show that they are in line with societal norms and expectations. The lived effect of this legitimization is shown by a significant relationship of SEDI scores with Tobin's Q. iden cases if further investigation is wanted to evidence.

Tobin's Q has a strong relationship with ESG disclosure, indicating a perception in the market that ESG disclosure status signals future resilience, risk management quality, and strategic insight rather than just a reflection of past performance. This finding corroborates evidence from African as well as global studies whereby investors increasingly incorporate pricing ESG information into firm valuation models (Short & Ndlovu, 1975; WGA Advisors, 2025). P1 and P3 identify that ESG disclosure in high-risk environments is an offset for operational and regulatory risk management, thus impacting long-term firm value.

#### **4.3.3 To analyse the moderating effects of key firm-specific and institutional factors namely firm size, industrial sector, and the regulatory maturity**

The third research objective extends the analysis beyond a simple direct relationship by demonstrating that the ESG–financial performance nexus is contingent upon firm-specific and institutional conditions. The moderated regression results reveal that firm size, industrial sector, and regulatory maturity significantly influence the strength of the relationship between SEDI scores and Tobin's Q.

Firm size emerges as a significant positive moderator, indicating that the market rewards ESG disclosure more strongly for larger firms. This finding is consistent with absorptive

capacity theory, which suggests that larger firms possess superior capabilities to integrate ESG principles into operational processes (Fernando & Lawrence, 2014). Qualitative insights from P6 and P3 confirm that large firms have dedicated ESG teams, advanced data systems, and sufficient capital to operationalise sustainability initiatives, translating disclosure into tangible financial and strategic benefits. Similar size-contingent effects have been documented in prior ESG studies across emerging markets (Shobha et al., 2025; Nian & Said, 2025).

Sectoral analysis further demonstrates that the ESG–value relationship is strongest in high-impact sectors such as Basic Materials and Utilities. This finding reflects the principle of financial materiality, whereby ESG factors are directly linked to core operational risks in these industries. As argued by Evans et al. (2023) and Şahin and Mitawa (2024), environmental and social performance in extractive sectors directly affects regulatory compliance, community relations, and license retention. Consequently, ESG disclosure in these sectors provides decision-useful information that investors incorporate into valuation, resulting in a stronger Tobin’s Q response.

Most significantly, the positive moderating effect of regulatory maturity underscores the critical role of institutional frameworks in validating ESG disclosure. In jurisdictions with strong regulatory environments such as South Africa, characterised by King IV and JSE sustainability guidance disclosure follows standardised and auditable frameworks, reducing greenwashing and enhancing credibility (Mayet & Associates, 2025; JSE, 2023). This supports Afolabi et al.’s (2022) argument that regulatory harmonisation enhances the comparability and usefulness of sustainability information.

Conversely, in countries with weak or voluntary ESG guidelines, disclosure quality is inconsistent and difficult to verify, leading investors to discount ESG information due to systemic credibility concerns. This “greenwashing gap,” identified by P2, aligns with prior critiques of voluntary ESG regimes in Sub-Saharan Africa (Bhawani, 2025; Fitch Ratings, 2021). The findings therefore demonstrate that regulation does not merely compel disclosure but legitimises it, creating the institutional conditions under which markets can effectively reward sustainable business practices.

## **Summary**

This chapter provides a comprehensive analysis and interpretation of the empirical data with quantitative results integrated with qualitative views. The study successfully developed and validated the SADC ESG Disclosure Index (SEDI), unveiling that a rather moderate overall disclosure level is maintained at the regional average of 52.14%, with high variation among firms and pillars, which clearly indicates a distinctiveness in regulatory and social values pertaining to the region.

Strong panel data analysis confirmed that the level of ESG disclosure as indicated in SEDI is positively linked to the firm's financial performance, measured by ROA, ROE, and Tobin's Q, and suggests that it enables value creation in the broader context of sustainability. For larger organizations, the relationship grows even stronger, showing that large firms have the resource capability to integrate ESG social disclosure into operational business arrangements with value creation, thus escaping mere accountability to reporting.

The link is at its strongest in environmentally and socially intensive industries (e.g., Mining, utilities), where ESG factors have a tangible impact on the risks associated with their core business activities and long-term sustainability, making disclosure a crucial signal for investors. This relationship is even more powerful in those countries that have developed and enforced their ESG regulation, as these frameworks bestow credibility, comparability, and, therefore, market trust in the information to price it efficiently.

## **CHAPTER 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The chapter synthesizes the study findings through its three main components which include key findings and their respective conclusions and practical recommendations for policy implementation. The study investigated how Environmental Social and Governance ESG disclosure affects the financial performance of companies listed on major stock exchanges in Southern African Development Community SADC countries. The research identified three main objectives which included developing and testing an ESG disclosure index that fits the specific context of the study and investigating how ESG disclosure affects financial performance and determining how particular company characteristics and organizational factors impact that relationship.

### **5.2 Discussion**

#### **5.2.1 Constructing and Validating a Contextually-Relevant ESG Disclosure Index**

The SADC ESG Disclosure Index (SEDI) was successfully created through the research which achieved high reliability through its Cronbach's alpha score of 0.89. The index demonstrates strong internal consistency which confirms its methodological strength for evaluating ESG disclosure by non-financial SADC-listed companies. The index disclosed that companies maintained a moderate ESG disclosure level of 52.14% which showed different disclosure patterns across different companies and three ESG pillars. The Social dimension received the highest reporting volume with an average of 55.61 because companies faced regulations like South Africa's B-BBEE policies and they needed to meet

public expectations. Environmental disclosure showed a lower average of 48.22 because organizations had limited resources and weak enforcement from their institutional partners. Qualitative insights confirm that Social reporting is often compliance-driven, whereas Environmental and Governance disclosures are contingent upon technical capacity, resources, and investor pressures. The research results of this study support institutional theory and legitimacy theory which state that organizations disclose information according to social expectations and legal requirements instead of choosing to disclose voluntarily.

### **5.2.2 Relationship Between ESG Disclosure and Corporate Financial Performance**

The results from this research show that SEDI scores have a strong positive connection with three financial performance metrics which are ROA and ROE and Tobin's Q. This research shows that organizations with better ESG disclosure standards experience advantages in both accounting-based profits and market valuation because their ESG practices create business value. The markets connected Tobin's Q to ESG disclosure as investors view ESG reports as indicators that companies manage risks and build operational durability and long-term business strategies. Experts in qualitative interviews observed that mining and utility industries use ESG disclosure to show their operational risk management to investors while creating market legitimacy in high-risk business contexts. The research findings support stakeholder theory because businesses that disclose their ESG information establish trust with stakeholders while decreasing information gaps which lead to stakeholder trust and legitimacy theory because businesses create disclosures to protect their right to operate.

### **5.2.3 Moderating Effects of Firm-Specific and Institutional Factors**

The study reveals that firm size, industry sector, and regulatory maturity significantly moderate the ESG–financial performance relationship. Larger firms benefit more from ESG disclosure due to their superior resources, data systems, and dedicated ESG teams, reflecting absorptive capacity theory. High-impact industries, particularly mining and utilities, show stronger ESG–value linkages, confirming financial materiality principles where ESG factors are directly related to operational risks. Furthermore, firms in jurisdictions with mature regulatory frameworks, such as South Africa, demonstrate stronger positive effects, as credible and standardised ESG reporting reduces concerns about greenwashing and enhances investor confidence. Conversely, in weaker regulatory environments, disclosure is inconsistent, and market rewards are limited, highlighting the critical role of institutions in enhancing disclosure credibility and utility.

## **5.3 Conclusions**

### **5.3.1 ESG Disclosure Index Validation**

The SEDI serves as a dependable and effective assessment tool which measures ESG disclosure performance of non-financial companies listed on SADC stock exchanges. The system captures regional distinctions through its measurement of Social disclosure practices and its assessment of Environmental reporting practices which currently show low development. The index offers a strong assessment tool which allows researchers and professionals and government officials to measure and compare ESG performance across different industries and organizations within the SADC area.

### **5.3.2 ESG Disclosure–Financial Performance Relationship**

The study concludes that ESG disclosure positively impacts corporate financial performance. Firms with higher SEDI scores enjoy improved profitability and market valuation, confirming that ESG reporting is not merely a compliance activity but a strategic lever for value creation, investor trust, and risk management. This validates the adoption of ESG strategies as a mechanism for enhancing financial and market performance in emerging markets.

### **5.3.3 Moderating Effects of Firm-Specific and Institutional Factors**

The positive ESG–financial performance relationship depends on three factors which are firm size, industry classification and the level of regulatory development. ESG disclosure delivers greater advantages to larger organizations which operate in high-impact sectors and countries that have established advanced ESG regulations. The financial results of ESG initiatives depend on two key factors which are institutional support and internal capacity development.

## **5.4 Implications**

The findings of this study have important implications for theory, practice, and policy.

From a theoretical perspective, the study contributes to the ESG literature by providing empirical evidence from the SADC region, an under-researched context. It extends stakeholder and legitimacy theories by demonstrating how institutional and contextual factors shape ESG disclosure and its financial outcomes.

From a managerial perspective, the results highlight the strategic importance of ESG disclosure. Managers should view ESG reporting not as a compliance burden but as a tool for value creation, risk management, and competitive advantage. Investment in ESG systems, data management, and reporting capabilities can yield significant financial returns.

From a policy perspective, the findings underscore the need for stronger and more harmonised ESG regulatory frameworks across the SADC region. Policymakers and regulators play a crucial role in standardising disclosure requirements, enhancing transparency, and building investor confidence in ESG information.

## **5.5 Recommendations**

Based on the findings, the following recommendations are proposed:

### **1. Strengthening ESG Regulatory Frameworks:**

Regulatory bodies across SADC countries should transition from voluntary “comply-or-explain” approaches to more mandatory and standardised ESG disclosure requirements. Harmonisation of ESG reporting standards across the region will improve comparability and credibility.

### **2. Capacity Building for Firms:**

Governments and industry associations should support firms, particularly small and medium-sized enterprises, in developing ESG reporting capabilities. This can include training programmes, technical guidance, and financial support for ESG data systems.

### **3. Integration of ESG into Corporate Strategy:**

Firms should embed ESG considerations into core business strategies rather than treating them as standalone reporting requirements. This includes linking ESG performance to operational decisions, risk management frameworks, and long-term planning.

### **4. Investment in ESG Data and Technology:**

Companies should invest in robust data collection and management systems to improve the accuracy, consistency, and timeliness of ESG disclosures, particularly in the Environmental dimension.

### **5. Enhanced Stakeholder Engagement:**

Firms should actively engage with stakeholders, including investors, regulators, and communities, to ensure that ESG disclosures address material issues and reflect stakeholder expectations.

### **6. Sector-Specific ESG Guidelines:**

Regulators and industry bodies should develop sector-specific ESG disclosure guidelines to address the unique risks and material issues faced by different industries.

### **5.6 Suggestions for further research**

The current study offers useful information, but researchers need to examine multiple specific areas that require additional research work. The research should investigate financial institutions because the existing study did not include these entities, which will

help create a complete understanding of ESG disclosure practices in all industries. The research should conduct extended longitudinal studies to investigate how ESG disclosure methods develop over time and how those methods affect financial results for an extended period. The research should examine how corporate governance systems which include board diversity and ownership arrangements affect ESG disclosure and performance results. The study should compare SADC to both emerging and developed regions to understand how institutional frameworks affect ESG practices in different environmental contexts. The research should use qualitative methods to study how stakeholders which include investors and communities perceive ESG disclosure impacts, which will lead to better understanding of ESG disclosure effects.

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## **APPENDIX 1: Expert Interview Questionnaire**

### **Section A: Background & context**

1. Please describe your current role and how it relates to ESG reporting, sustainability, or regulation within your organisation or sector.

Response:

2. How long have you worked in ESG, sustainability, or corporate governance–related activities?

Response:

3. Which ESG frameworks or standards (e.g., GRI, FTSE4Good, King IV, SASB, TCFD) are most commonly referenced in your country or sector?

Response:

4. How would you assess the maturity of ESG reporting in your country/sector (e.g., emerging, developing, advanced)? Please explain your rating.

Response:

### **Section B: ESG disclosure practices**

5. In your opinion, what factors drive high-quality ESG disclosure among listed firms in your market?

Response:

6. What common gaps or weaknesses do you observe in ESG reporting across the Environmental, Social, and Governance pillars?

Response:

7. How effective are current regulations, guidelines, or stock exchange requirements in promoting comprehensive ESG disclosure?

Response:

8. What improvements or harmonisation would you recommend to strengthen ESG reporting standards across SADC countries?

Response:

9. To what extent do companies in your market obtain third-party assurance (e.g., ISO 14001, AA1000AS, independent audits) for ESG disclosures?

Response:

10. What challenges arise when attempting to verify the accuracy, completeness, or reliability of ESG information disclosed by firms?

Response:

### **Section C: ESG and financial performance**

11. Based on your experience, do firms with stronger ESG disclosure scores tend to perform better financially (e.g., ROA, ROE, Net Profit Margin)? If possible, please share practical examples.

Response:

12. Which ESG pillar (Environmental, Social, Governance) do you believe has the greatest influence on financial performance in your context, and why?

Response:

13. Are there particular sectors (e.g., mining, banking, agriculture, manufacturing) where ESG integration is notably strong or weak? What factors explain these differences?

Response:

14. How do sector-specific ESG risks (e.g., climate vulnerability, labour relations, governance failures) shape disclosure practices and affect financial outcomes?

Response:

#### **Section D: Challenges and opportunities**

15. What major obstacles hinder consistent, accurate, and reliable ESG data collection and reporting in your context?

Response:

16. How do challenges such as fiscal-year misalignment, self-reporting bias, or the absence of independent ESG ratings affect comparability across firms and exchanges?

Response:

17. In what ways have institutional investors, international stakeholders, or cross-border listing requirements influenced ESG practices in your market?

Response:

18. What policy reforms, incentives, or regulatory changes could accelerate ESG adoption and improve disclosure quality across Southern Africa?

Response:

#### **Section E: Future directions**

19. How do you anticipate ESG reporting and integration evolving within your market over the next 3–5 years?

Response:

20. What innovations (e.g., digital reporting platforms, AI-based greenwashing detection, blockchain for traceability) could enhance ESG transparency and impact?

Response:

21. What key recommendations would you offer regulators, companies, and investors to strengthen ESG practices and better link them to financial performance?

Response:

22. Are there best practices or successful case studies from your country or elsewhere that you believe should be adopted across the SADC region?

Response:

**Section F: Additional comments**

23. Is there anything else you would like to add regarding ESG disclosure, financial performance, or regulatory developments in the Southern African context?

Response:

**Consent Statement**

Do you consent to your responses being used for academic research, with full confidentiality and anonymity guaranteed?

Response:

## APPENDIX 2: Africa University Research Ethics Committee (AUREC) Approval



A United Methodist-Related Institution  
"Investing in Africa's future"

AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE (AUREC)

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Ref: AU4143/25

16 December, 2025

**ELIA MADONDO**

C/O Africa University

Box 1320

**MUTARE**

RE: **ENVIRONMENTAL SOCIAL GOVERNANCE (ESG) DISCLOSURES RATINGS AND FINANCIAL PERFORMANCE IN SOUTHERN AFRICA (2020-2025)**

Thank you for submitting the above-titled proposal to the Africa University Research Ethics Committee for review. Please be advised that AUREC has reviewed and approved your application to conduct the above research.

The approval is based on the following.

- a) Research proposal
- **APPROVAL NUMBER** AUREC 4143
  - /25  
This number should be used on all correspondence, consent forms, and appropriate documents
  - **AUREC MEETING DATE** NA
  - **APPROVAL DATE** December 16, 2025
  - **EXPIRATION DATE** December 16, 2026
  - **TYPE OF MEETING:** Expedited  
After the expiration date, this research may only continue upon renewal. A progress report on a standard AUREC form should be submitted a month before the expiration date for renewal purposes.
  - **SERIOUS ADVERSE EVENTS** All serious problems concerning subject safety must be reported to AUREC within 3 working days on the standard AUREC form.
  - **MODIFICATIONS** Prior AUREC approval is required before implementing any changes in the proposal (including changes in the consent documents)
  - **TERMINATION OF STUDY** Upon termination of the study a report has to be submitted to AUREC.



Yours Faithfully

MARY CHINZOU  
FOR CHAIRPERSON

**AFRICA UNIVERSITY RESEARCH ETHICS COMMITTEE**