

Corporate Governance, IFRS Adoption, and Environmental Transparency: A Theoretical Model of Financial Reporting Quality and Information Asymmetry

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Abstract

Environmental transparency has become an important dimension of corporate accountability as investors, regulators, communities, and other stakeholders increasingly demand reliable information about firms' environmental conduct and sustainability performance. Although corporate governance, IFRS adoption, audit committee effectiveness, and financial reporting quality have been widely examined in accounting and finance literature, their theoretical connection with environmental transparency remains insufficiently integrated. This paper develops a conceptual model explaining how corporate governance and IFRS adoption can improve environmental transparency through financial reporting quality and reduced information asymmetry. Drawing on agency theory, signaling theory, stakeholder theory, legitimacy theory, and institutional theory, the paper argues that strong governance structures reduce managerial opportunism, improve disclosure discipline, and strengthen accountability. IFRS adoption improves comparability, consistency, and credibility of reported information, while audit committee expertise and external auditor quality enhance monitoring effectiveness. These mechanisms can create a broader transparency culture that extends from financial reporting to environmental disclosure. The paper proposes financial reporting quality as a mediating mechanism between corporate governance, IFRS adoption, and environmental transparency, while information asymmetry is positioned as a barrier to credible sustainability communication. The framework further incorporates public governance, digital capability, human capital, and environmental governance as enabling institutional conditions. The paper contributes to governance, accounting, and sustainability disclosure literature by linking financial transparency with environmental accountability in one theoretical model. It also provides propositions for future empirical testing using listed firm data, ESG disclosure scores, sustainability reports, audit committee characteristics, IFRS adoption indicators, environmental performance measures, and information asymmetry proxies in emerging and developed market contexts.



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1. Introduction

Environmental transparency has become a central concern in contemporary corporate governance and sustainability research. Firms are increasingly expected to disclose not only financial information but also information about environmental performance, climate-related risks, resource use, carbon emissions, green innovation, energy practices, and sustainability strategies. This shift reflects growing pressure from investors, regulators, communities, consumers, employees, and international organizations for more credible and comparable environmental disclosure. However, environmental transparency remains uneven across firms and countries because disclosure practices are shaped by

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governance quality, reporting standards, audit mechanisms, institutional pressure, and managerial incentives.

Corporate governance provides an important foundation for transparency because it determines how firms are directed, monitored, and held accountable. Strong governance structures can reduce managerial opportunism, limit selective disclosure, improve board oversight, and strengthen stakeholder confidence. Weak governance, by contrast, may allow managers to withhold information, manipulate disclosures, or present symbolic sustainability claims without substantive environmental action. This issue is particularly important in emerging markets where governance structures, regulatory enforcement, investor protection, and sustainability reporting systems may still be developing. Studies on corporate governance and information asymmetry suggest that governance mechanisms can improve transparency by reducing the information gap between corporate insiders and external stakeholders (Ahmad et al., 2023; Ahmed et al., 2024).

IFRS adoption is another important mechanism for improving reporting transparency. IFRS is designed to enhance comparability, reliability, consistency, and decision usefulness of financial reporting. Although IFRS is primarily concerned with financial information, its broader effects may extend to environmental transparency by strengthening reporting culture, disclosure discipline, and accountability norms. When firms operate under higher-quality reporting standards, they may become more capable of producing credible non-financial disclosures, including environmental and sustainability information. This paper therefore argues that IFRS adoption can indirectly support environmental transparency through its effect on financial reporting quality and information asymmetry.

The accounting literature provides strong foundations for this argument. Research on audit committee characteristics and external auditor quality demonstrates that monitoring mechanisms influence financial reporting quality (Mohammad & Ahmed, 2017). Studies on human capital disclosures show that firms disclose intangible and non-financial information when governance systems encourage broader accountability ((Mohammad, 2015). Research on audit committee accounting background and audit fees further suggests that audit expertise shapes reporting quality and monitoring effectiveness (Abdullah et al., 2024). Similarly, studies on corporate governance and environmental performance indicate that governance structures may influence environmental outcomes in listed firms (Ali et al., 2022). These contributions suggest that financial transparency and environmental transparency should not be treated as entirely separate domains.

Environmental economics and sustainability studies also support the need to connect governance with environmental transparency. Research on ecological footprint, clean energy, renewable energy transition, environmental sustainability, green supply chains, and sustainable livelihoods shows that environmental outcomes depend on institutional quality, green finance, energy systems, and governance arrangements (Ahmad et al., 2023; Bhatti et al., 2024; Sadiq et al., 2024; Shen et al., 2025; Vu et al., 2023). Public governance research further suggests that e-government, secure property rights, institutional quality, and governance effectiveness can shape economic and environmental outcomes (Bhatti et al., 2025; Hussain et al., 2024). These findings imply that environmental disclosure credibility depends on both firm-level governance and broader institutional governance.

Digital transformation and human capital also shape transparency systems. Digital technologies can improve reporting accuracy, audit trails, data availability, and environmental monitoring. However, digital tools require skilled managers, auditors, employees, and regulators who can interpret, verify, and communicate sustainability information. Research on digital pedagogy, academic leadership, teacher development, Education 4.0, and workforce upskilling highlights the importance of human capital and digital competence for knowledge-intensive transformation (Abdulla et al., 2023; Alemán de la Garza et al., 2019; Chakravarti, 2020, 2022; Chakravarti & Stevenson, 2022). In governance and sustainability contexts, these capabilities are important because environmental transparency requires both technical reporting systems and competent human judgment.

Despite growing interest in governance, IFRS adoption, and sustainability disclosure, the theoretical relationship among corporate governance, financial reporting quality, information asymmetry, and environmental transparency remains underdeveloped. Many studies examine financial reporting quality without connecting it to environmental accountability. Others examine environmental disclosure

without adequately explaining how accounting standards and governance mechanisms shape disclosure credibility. This paper addresses this gap by developing a theoretical model in which corporate governance and IFRS adoption improve environmental transparency through financial reporting quality and reduced information asymmetry. The model also recognizes audit committee quality, external auditor characteristics, public governance, digital capability, and environmental governance as enabling conditions.

The paper contributes to literature in three ways. First, it integrates accounting transparency and environmental transparency into a single theoretical framework. Second, it explains financial reporting quality as a mechanism through which governance and IFRS adoption may influence environmental disclosure. Third, it extends sustainability disclosure theory by incorporating information asymmetry, institutional governance, digital capability, and human capital as central conditions for credible environmental transparency.

2. Conceptual Background

2.1. Corporate Governance

Corporate governance refers to the structures, processes, and mechanisms through which firms are directed and controlled. It includes board composition, board independence, audit committee quality, ownership structure, executive accountability, internal control, external audit, and disclosure practices. The primary purpose of corporate governance is to align managerial behavior with the interests of shareholders and stakeholders. In the absence of effective governance, managers may engage in opportunistic behavior, selective reporting, earnings management, or symbolic disclosure. Agency theory explains this problem by emphasizing the conflict of interest between principals and agents when information is unevenly distributed (Jensen & Meckling, 1976).

Corporate governance is directly relevant to environmental transparency because sustainability disclosure involves managerial discretion. Firms may voluntarily disclose environmental information to build legitimacy, attract investors, satisfy regulators, or respond to stakeholder pressure. However, the quality of such disclosure depends on whether governance mechanisms discipline managerial reporting choices. Strong boards and audit committees can pressure management to provide more complete, accurate, and credible disclosure. Weak governance may encourage impression management, selective reporting, or greenwashing.

Research from accounting and governance contexts supports this argument. Ahmed et al. (2024a) show that corporate governance can reduce information asymmetry through international accounting standards. Ahmed et al. (2024) further emphasize the integrative impact of corporate governance and IAS/IFRS in reducing information asymmetry. Mohammad and Ahmed (2017) demonstrate that audit committee and external auditor characteristics influence financial reporting quality. Mohammad (2015) shows that human capital disclosures are part of broader corporate accountability. These studies collectively indicate that governance mechanisms influence not only financial reporting but also the broader disclosure environment of firms.

2.2. IFRS Adoption

IFRS adoption refers to the implementation of International Financial Reporting Standards to improve the quality, comparability, and transparency of financial statements. IFRS is intended to provide investors and stakeholders with reliable and comparable information across firms and countries. Its relevance to environmental transparency lies in the reporting discipline it creates. Firms that operate under high-quality reporting standards may develop stronger internal controls, disclosure processes, and accountability norms that can extend beyond financial statements.

IFRS adoption can reduce information asymmetry by improving the consistency and credibility of reported information. When financial reporting is comparable and transparent, external stakeholders are better able to evaluate firm performance and risk. This improved reporting environment may also encourage firms to provide more credible environmental disclosures. Although IFRS does not automatically guarantee high-quality sustainability reporting, it may support a reporting culture that values transparency, accountability, and comparability.

The link between IFRS and information asymmetry is emphasized in studies on corporate governance and international accounting standards (Ahmed et al., 2024). These studies suggest that IFRS can serve as an institutional mechanism that complements governance structures. However, the effectiveness of IFRS depends on enforcement quality, audit capability, managerial incentives, and institutional context. Therefore, IFRS adoption should be examined not only as a technical accounting change but also as a governance and institutional reform that may influence broader transparency practices.

2.3. Financial Reporting Quality

Financial reporting quality refers to the extent to which financial reports provide accurate, reliable, relevant, timely, and comparable information about a firm's financial condition and performance. High-quality financial reporting reduces uncertainty, improves investor confidence, lowers information asymmetry, and supports efficient capital allocation. It is shaped by accounting standards, audit quality, internal controls, managerial ethics, governance structures, and regulatory enforcement.

Financial reporting quality is important for environmental transparency because firms with credible financial reporting systems are more likely to have the internal processes needed for credible non-financial reporting. Environmental disclosure requires data collection, measurement, verification, consistency, and accountability. These requirements are similar to the systems used for financial reporting. Therefore, financial reporting quality may create organizational capabilities that support sustainability disclosure.

Audit committee's expertise and external auditor quality are particularly relevant. Audit committees with accounting and financial expertise are better able to monitor reporting decisions and challenge management. External auditors improve credibility by providing independent assurance. Mohammad and Ahmed (2017) show that audit committee and external auditor characteristics affect financial reporting quality. Mohammad (2015) also links audit committee characteristics with improved reporting quality among listed firms. These findings support the proposition that financial reporting quality can serve as a bridge between governance mechanisms and environmental transparency.

2.4. Information Asymmetry

Information asymmetry occurs when corporate insiders possess more information than external stakeholders. In financial markets, information asymmetry can increase uncertainty, reduce investor confidence, raise the cost of capital, and create opportunities for opportunistic behavior. In sustainability contexts, information asymmetry can also weaken the credibility of environmental claims because external stakeholders may be unable to verify whether firms are genuinely improving environmental performance.

Environmental disclosure is particularly vulnerable to information asymmetry because environmental data is often complex, technical, and difficult for outsiders to verify. Firms may selectively disclose positive information while omitting negative environmental impacts. They may also use broad sustainability language without measurable indicators. Strong governance, high-quality reporting standards, audit mechanisms, and public regulation can reduce these risks by improving disclosure credibility.

The information asymmetry literature is central to this paper. Ahmed et al. (2024) directly connect corporate governance, IAS/IFRS, and information asymmetry. Signaling theory also suggests that firms use credible disclosure to signal quality and responsibility to external stakeholders (Spence, 1973). However, signals are credible only when supported by governance structures, reporting standards, and verification mechanisms. Therefore, reducing information asymmetry is essential for environmental transparency.

2.5. Environmental Transparency

Environmental transparency refers to the availability, credibility, comparability, and completeness of information about a firm's environmental activities, impacts, risks, and performance. It includes disclosure of emissions, energy use, resource consumption, waste management, pollution control, environmental investments, green innovation, climate-related risks, and sustainability strategies.

Environmental transparency is broader than environmental performance because it concerns how firms communicate their environmental conduct to stakeholders.

Environmental transparency is important for legitimacy and stakeholder trust. Legitimacy theory suggests that firms disclose environmental information to demonstrate that their activities are consistent with societal expectations (Suchman, 1995). Stakeholder theory further argues that firms must respond to the information needs of multiple stakeholders, including investors, employees, customers, regulators, communities, and civil society (Freeman, 1984). However, disclosure may become symbolic if not supported by governance, reporting quality, and accountability mechanisms.

Environmental performance research indicates that governance structures influence environmental outcomes (Ali et al., 2022). Studies on green supply chain practices, clean energy, ecological footprint, and renewable energy transition also show that environmental sustainability depends on firm-level and institutional practices (Bhatti et al., 2024; Sadiq et al., 2024; Wided, 2023). Environmental transparency therefore requires firms not only to disclose information but also to develop governance and reporting systems that make such information credible.

3. Theoretical Foundations

Agency theory provides the first foundation for the proposed model. It explains how conflicts of interest and information asymmetry arise when managers control information and external stakeholders depend on disclosed reports (Jensen & Meckling, 1976). Corporate governance mechanisms reduce agency problems by improving oversight, monitoring, and accountability. In this paper, agency theory explains why stronger governance and audit mechanisms should improve financial reporting quality and reduce information asymmetry.

Signaling theory provides the second foundation. Firms use disclosures to signal quality, responsibility, and lower risk to external stakeholders (Spence, 1973). IFRS adoption, high-quality financial reporting, credible audit mechanisms, and transparent environmental disclosure can all function as signals. However, signaling theory also emphasizes that signals must be credible. Firms with weak governance may issue sustainability claims that stakeholders discount as symbolic. Therefore, the credibility of environmental transparency depends on governance and reporting quality.

Stakeholder theory provides the third foundation. Firms are accountable not only to shareholders but also to wider stakeholder groups affected by corporate activities (Freeman, 1984). Environmental transparency responds to stakeholder demands for information about pollution, emissions, climate risks, and resource use. This theory explains why firms face pressure to disclose environmental information even when such disclosure is not immediately required for financial reporting. It also explains why CSR, green innovation, and sustainable supply chain practices are increasingly connected with accountability.

Legitimacy theory provides the fourth foundation. Firms seek legitimacy by aligning their activities and communications with social values and expectations (Suchman, 1995). Environmental disclosure allows firms to demonstrate responsibility and maintain social approval. However, legitimacy-based disclosure may become symbolic if firms use environmental reporting primarily to manage impressions. Strong governance and reporting quality can reduce this risk by making disclosure more verifiable and accountable.

Institutional theory provides the fifth foundation. It explains how firms respond to regulatory, normative, and cognitive pressures in their institutional environment (DiMaggio & Powell, 1983; North, 1990). IFRS adoption, environmental governance, public sector regulation, sustainability reporting norms, and audit practices are institutional mechanisms that shape disclosure behavior. Firms in stronger institutional environments are more likely to adopt credible transparency practices because they face greater enforcement, professional expectations, and stakeholder scrutiny.

4. Conceptual Framework and Propositions

The proposed model links corporate governance and IFRS adoption with environmental transparency through financial reporting quality and information asymmetry. Corporate governance and IFRS adoption are conceptualized as primary antecedents. Financial reporting quality is proposed as a

mediating mechanism. Information asymmetry is treated as a mechanism that is reduced by governance and reporting quality but weakens environmental transparency when it remains high. Audit committee expertise, external auditor quality, public governance, digital capability, and environmental governance are introduced as enabling conditions.

4.1. Corporate Governance and Financial Reporting Quality

Corporate governance improves financial reporting quality by strengthening oversight, limiting managerial discretion, and supporting accountability. Boards and audit committees monitor reporting decisions, review internal controls, and ensure that management complies with accounting standards. Effective governance can also reduce earnings manipulation, selective disclosure, and opportunistic reporting. When governance mechanisms are strong, firms are more likely to produce reliable and timely financial information.

The relationship between corporate governance and reporting quality is supported by studies showing that audit committee and auditor characteristics shape financial reporting quality (Mohammad & Ahmed, 2017). Audit committee accounting background can improve monitoring effectiveness because financially literate members are better able to interpret complex accounting issues and challenge management decisions (Abdullah et al., 2024). Therefore, governance quality is expected to positively influence financial reporting quality.

Proposition 1: Corporate governance positively influences financial reporting quality by improving oversight, accountability, internal control, and disclosure discipline.

4.2. IFRS Adoption and Financial Reporting Quality

IFRS adoption improves financial reporting quality by enhancing comparability, consistency, transparency, and decision usefulness. When firms adopt internationally recognized reporting standards, they are expected to provide more structured and reliable financial information. This can improve stakeholder confidence and reduce uncertainty. IFRS adoption may also strengthen internal reporting systems, professional judgment, and discipline.

However, IFRS adoption is most effective when supported by enforcement, audit quality, and governance mechanisms. In weak institutional environments, formal adoption may not produce substantive reporting improvement. Therefore, IFRS adoption should be viewed as a reporting standard that interacts with governance and institutional quality. Studies linking IAS/IFRS with reduced information asymmetry support the view that international accounting standards can improve reporting credibility when embedded in governance systems (Ahmed et al., 2024).

Proposition 2: IFRS adoption positively influences financial reporting quality by improving comparability, consistency, reliability, and disclosure credibility.

4.3. Financial Reporting Quality and Information Asymmetry

Financial reporting quality reduces information asymmetry by providing external stakeholders with reliable information about firm performance, risk, and financial position. High-quality reporting reduces uncertainty and limits the informational advantage of corporate insiders. It also improves the ability of investors, creditors, regulators, and other stakeholders to evaluate firm behavior.

In the sustainability context, financial reporting quality may also reduce uncertainty about non-financial claims. Firms with strong financial reporting systems are more likely to possess internal controls, data systems, audit processes, and disclosure routines that support credible environmental reporting. Conversely, firms with poor reporting quality may also provide weak sustainability disclosure. Therefore, financial reporting quality is expected to reduce information asymmetry and support broader transparency.

Proposition 3: Financial reporting quality negatively influences information asymmetry by improving the reliability, comparability, and accessibility of corporate information.

4.4. Information Asymmetry and Environmental Transparency

Information asymmetry weakens environmental transparency because stakeholders cannot fully assess the credibility of environmental claims when corporate information is incomplete, selective, or unverifiable. Firms may disclose favorable environmental initiatives while omitting negative impacts. They may also use vague sustainability language without measurable indicators. High information asymmetry therefore increases the risk of symbolic reporting and greenwashing.

Environmental transparency requires credible information about emissions, energy use, environmental risks, waste management, green innovation, and sustainability strategies. Such information is valuable only when stakeholders perceive it as reliable and complete. Governance and reporting quality can improve credibility by reducing information asymmetry. Therefore, information asymmetry is expected to negatively influence environmental transparency.

Proposition 4: Information asymmetry negatively influences environmental transparency by reducing the credibility, completeness, and verifiability of environmental disclosure.

4.5. Financial Reporting Quality as a Mediating Mechanism

Financial reporting quality is proposed as a mediator between corporate governance, IFRS adoption, and environmental transparency. Corporate governance and IFRS adoption improve financial reporting quality, which in turn reduces information asymmetry and strengthens environmental transparency. This mediating logic suggests that environmental transparency emerges not only from environmental commitment but also from the broader quality of corporate reporting systems.

Firms with high-quality financial reporting are more likely to develop systematic disclosure routines, reliable data controls, and accountability practices. These systems can spill over into environmental reporting. Environmental disclosure requires measurement, classification, documentation, and communication, all of which are strengthened by high-quality reporting systems. Thus, financial reporting quality bridges financial accountability and environmental accountability.

Proposition 5: Financial reporting quality mediates the relationship between corporate governance and environmental transparency.

Proposition 6: Financial reporting quality mediates the relationship between IFRS adoption and environmental transparency.

4.6. Moderating Role of Audit Committee Expertise and External Auditor Quality

Audit committee expertise and external auditor quality strengthen the effect of governance on reporting quality and environmental transparency. Audit committee members with accounting and financial expertise are more capable of understanding reporting complexity and monitoring management. External auditors provide independent assurance and improve stakeholder confidence in reported information. When audit quality is high, firms are less likely to engage in opportunistic reporting.

Audit mechanisms may also influence environmental transparency, especially as sustainability reporting increasingly requires assurance and verification. Although traditional audits focus on financial statements, the logic of assurance can extend to sustainability information. Firms with stronger audit systems may be better prepared to produce reliable environmental disclosures.

Proposition 7: Audit committee expertise strengthens the relationship between corporate governance and financial reporting quality.

Proposition 8: External auditor quality strengthens the relationship between financial reporting quality and environmental transparency.

4.7. Public Governance and Environmental Governance as Institutional Conditions

Public governance and environmental governance shape firm-level transparency practices. Strong public governance improves regulatory enforcement, investor protection, disclosure monitoring, and institutional trust. E-government development can enhance government effectiveness and public sector governance by improving transparency and administrative efficiency (Bhatti et al., 2025). Secure

property rights and institutional quality can also support long-term investment and accountability (Hussain et al., 2024).

Environmental governance creates specific pressure for environmental disclosure and sustainability accountability. Firms operating in stronger environmental governance systems are more likely to disclose environmental information because regulators, investors, and communities demand it. Environmental governance also reduces the likelihood that firms can conceal environmental harm. Therefore, institutional governance strengthens the relationship between firm-level governance and environmental transparency.

Proposition 9: Public governance quality strengthens the relationship between firm-level corporate governance and environmental transparency.

Proposition 10: Environmental governance strengthens the relationship between financial reporting quality and environmental transparency.

4.8. Digital Capability and Human Capital

Digital capability and human capital are increasingly important for financial and environmental transparency. Digital systems allow firms to collect, process, verify, and disclose large volumes of financial and environmental data. AI, big data analytics, and digital platforms can improve monitoring, reporting accuracy, and stakeholder communication (Ramkumar et al., 2022; Wided, 2023). However, digital systems require skilled human capital capable of using technology responsibly.

Education and training play a central role in building this capability. Digital pedagogy, academic leadership, Education 4.0, teacher development, and workforce upskilling contribute to the skills required for digital governance and sustainability reporting (Abdulla et al., 2023; Alemán de la Garza et al., 2019; Chakravarti, 2020, 2022; Chakravarti & Stevenson, 2022). Therefore, digital capability and human capital are expected to strengthen the relationship between governance systems and environmental transparency.

Proposition 11: Digital capability strengthens the relationship between financial reporting quality and environmental transparency by improving data collection, verification, and disclosure systems.

Proposition 12: Sustainability-oriented human capital strengthens the relationship between corporate governance and environmental transparency by improving the competence and ethical capacity of managers, auditors, and reporting professionals.

5. Theoretical Contributions

This paper contributes to corporate governance literature by extending the consequences of governance beyond financial reporting into environmental transparency. Governance research has traditionally emphasized financial reporting quality, information asymmetry, audit quality, and investor confidence. This paper argues that governance mechanisms also shape the credibility of environmental disclosure because sustainability reporting depends on the same organizational values of accountability, discipline, and transparency.

The paper contributes to accounting literature by positioning financial reporting quality as a bridge between financial transparency and environmental transparency. This approach moves beyond treating sustainability disclosure as a separate reporting domain. Instead, it suggests that credible environmental disclosure is partly rooted in the quality of the firm's financial reporting systems. Firms with strong reporting quality are more likely to possess the controls, routines, and accountability systems needed for credible environmental transparency.

The paper also contributes to sustainability disclosure literature by integrating information asymmetry into the explanation of environmental transparency. Environmental disclosure is often discussed through legitimacy theory and stakeholder theory, but less attention is given to the information gap between insiders and external stakeholders. This paper argues that environmental transparency cannot be understood without considering information asymmetry because stakeholders depend on firms to disclose complex and often unverifiable environmental information.

Another contribution is the integration of public governance and corporate governance. Firm-level transparency does not occur in isolation. Public governance, e-government, institutional quality, property rights, and environmental regulation shape the incentives and pressures facing firms. This multi-level governance perspective is particularly important for emerging economies where regulatory capacity and enforcement quality may vary across sectors and regions.

Finally, the paper contributes by incorporating digital capability and human capital into transparency theory. Environmental transparency increasingly depends on digital systems, data analytics, audit technologies, and skilled reporting professionals. Digital education, workforce upskilling, and sustainability-oriented human capital are therefore essential for credible disclosure systems. This contribution links governance and reporting literature with education, digital transformation, and capability development research.

6. Practical and Policy Implications

The framework has important implications for corporate boards, audit committees, regulators, investors, auditors, and sustainability standard-setters. Corporate boards should recognize that environmental transparency is not only a sustainability issue but also a governance issue. Boards should ensure that environmental disclosure is supported by internal controls, data systems, audit oversight, and managerial accountability. Environmental information should not be treated as separate from corporate reporting systems.

Audit committees should expand their oversight responsibilities to include environmental and sustainability disclosure. As stakeholders increasingly rely on non-financial information, audit committees need members with expertise in accounting, sustainability, risk management, and data governance. External auditors and assurance providers should also strengthen their capacity to evaluate environmental information, especially where sustainability disclosure influences investor decisions.

Regulators should align financial reporting reforms with sustainability disclosure requirements. IFRS adoption and financial reporting quality can create a foundation for broader transparency, but environmental disclosure also requires clear standards, enforcement, and assurance mechanisms. Public agencies should strengthen e-government systems to improve disclosure monitoring, regulatory access, and stakeholder trust.

Investors should evaluate environmental transparency in relation to governance and reporting quality. Firms with weak governance and poor reporting quality may present higher sustainability disclosure risk. Investors should therefore consider board quality, audit committee expertise, reporting standards, and information asymmetry when assessing environmental claims.

Universities and professional bodies should develop training programs in sustainability reporting, digital accounting, environmental governance, audit analytics, and integrated reporting. Human capital development is essential because credible environmental transparency requires professionals who understand both financial reporting and sustainability information.

7. Future Research Agenda

Future empirical research can test the proposed framework using listed firm data from emerging and developed markets. Researchers may examine the effects of corporate governance, IFRS adoption, audit committee expertise, external auditor quality, and financial reporting quality on environmental transparency. Environmental transparency can be measured using sustainability disclosure scores, ESG disclosure ratings, carbon disclosure indicators, environmental reporting quality indices, or content analysis of annual and sustainability reports.

Financial reporting quality can be measured through accrual quality, earnings management, restatements, audit opinions, timeliness, or reporting comparability. Information asymmetry can be measured through bid-ask spreads, analyst forecast dispersion, trading volume, or disclosure opacity. Future studies can examine whether information asymmetry mediates the relationship between reporting quality and environmental transparency.

Cross-country studies can examine whether public governance and environmental regulation moderate the proposed relationships. Countries differ in IFRS enforcement, investor protection, environmental policy, public sector governance, and sustainability reporting requirements. Comparative studies across South Asia, ASEAN, GCC, MENA, BRICS, and OECD economies may provide useful insight into how institutional environments shape transparency.

Future studies may also examine digital capability as a moderator. Firms with stronger data systems, AI tools, integrated reporting platforms, and digital audit capabilities may be better able to produce credible environmental disclosure. Survey-based studies could examine whether sustainability-oriented human capital strengthens the ability of governance mechanisms to improve transparency.

Qualitative research can also contribute by examining how boards, audit committees, auditors, and sustainability managers understand environmental transparency. Case studies of firms with advanced sustainability reporting systems can reveal the internal governance processes behind credible disclosure. Mixed-method studies may combine archival analysis with interviews to provide deeper theoretical insight.

8. Conclusion

This paper developed a theoretical model linking corporate governance, IFRS adoption, financial reporting quality, information asymmetry, and environmental transparency. The central argument is that environmental transparency depends not only on environmental commitment but also on the quality of governance and reporting systems. Corporate governance reduces managerial opportunism and improves oversight. IFRS adoption strengthens comparability and disclosure discipline. Financial reporting quality reduces information asymmetry and creates reporting capabilities that can extend to environmental disclosure.

The paper integrates agency theory, signaling theory, stakeholder theory, legitimacy theory, and institutional theory to explain how financial transparency can support environmental accountability. Financial reporting quality is proposed as a mediating mechanism, while information asymmetry is positioned as a barrier to credible environmental transparency. Audit committee expertise, external auditor quality, public governance, environmental governance, digital capability, and sustainability-oriented human capital are proposed as enabling conditions.

By connecting accounting transparency with environmental transparency, the paper provides a theoretical foundation for future research and policy development. Credible environmental disclosure requires more than voluntary sustainability language. It requires strong governance, reliable reporting systems, reduced information asymmetry, institutional enforcement, digital capability, and skilled human capital. Firms that strengthen these foundations are more likely to provide environmental information that stakeholders can trust.

Conflict of Interests/Disclosures

The authors declared no potential conflicts of interest w.r.t the research, authorship and/or publication of this article.

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