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FROM DISCLOSURE TO TRANSFORMATION: UNPACKING THE ESG–SUSTAINABILITY NEXUS THROUGH OWNERSHIP STRUCTURE FOR STRATEGIC SUSTAINABILITY OUTCOMES

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Abstract

This study builds and extends the literature on sustainability and corporate governance by examining how environmental, social, and governance (ESG) disclosure promotes sustainable business practices (SBP), with particular attention to the role of ownership structure. Drawing on the diffusion of innovation and institutional theories, we develop models that link ESG disclosure to SBP across varied ownership configurations. Using a panel of 710 listed manufacturing firms across 17 MENA countries from 2010 to 2022, we employ a robust empirical strategy including system generalized method of moments (GMM), pooled mean group (PMG) estimators, and a suite of endogeneity checks including Propensity Score Matching (PSM), two stage least squares (2SLS), and fixed effects models. The results provide strong evidence that ESG disclosure positively influences SBP, with a nonlinear U-shaped relationship indicating increasing returns beyond a disclosure threshold. We also find that ownership structures significantly moderate this relationship and ESG effects vary across industry types in the region. These findings have important implications. Policymakers in MENA are encouraged to strengthen ESG disclosure mandates to enhance sustainability performance in line with SDG 12 (Responsible Consumption and Production) and regional goals for sustainable industrial development. Firms are also urged to align ownership governance mechanisms with transparent ESG strategies to effectively drive sustainable transformation.

Key words: ESG disclosure; MENA; Ownership Structure; SDGs 12; Sustainable Business Practices

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