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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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AUDIT COMMITTEE CHARACTERISTICS AND ESG REPORTING OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA: MODERATING EFFECT OF SHAREHOLDER ACTIVISM

EGWUMA DEBORAH OJOCHENEMI, JOSEPH FEMI ADEBISI and ABDULLATEEF IBRAHIM

ABSTRACT

Sustainability reporting in the Nigerian consumer goods industry faces structural and operational challenges, leading to low Environmental, Social and Governance reporting compliance. This study investigates the moderating role of shareholder activism on the effect of audit committee characteristics on Environmental, Social, and Governance (ESG) reporting among listed consumer goods companies in Nigeria. The sample consisted of 16 consumer goods listed on the Nigerian Exchange Group as at December 2024. Using panel data and regression analysis, the study examines the effects of audit committee diligence, equity holdings, age, nationality diversity, and accounting expertise on ESG transparency, while also assessing the moderating role of shareholder activism. The findings reveal that audit committee diligence and accounting expertise positively influence ESG reporting, whereas equity holdings, age, and nationality diversity have negative effects. Notably, shareholder activism positively moderates the relationship between equity holdings and ESG reporting but negatively moderates the influence of diligence and accounting expertise. The study recommends that companies should invest in training and resources that enhance the effectiveness and diligence of their audit committees. In addition, regular evaluations of the committee's performance and clear accountability measures could help ensure a continuous focus on ESG reporting.

Keywords: Audit committees, sustainability reporting, ESG, consumer goods companies, Nigeria

Introduction

Environmental, Social, and Governance (ESG) reporting has gained global traction as a crucial measure of corporate accountability and sustainability. ESG disclosures offer stakeholders insights into a company's environmental impact, social responsibility, and governance practices, aiding informed decisions and enhancing reputation. Increasingly, multinational firms and investors embed ESG considerations into valuation models, risk assessments, and investment strategies.In Africa, ESG reporting has received growing attention due to rising international investor interest, evolving regulations, and civil society pressure. Yet in countries like Nigeria, ESG practices remain inconsistent and largely reactive to external demands (Erin et al., 2022). Nigeria, Africa's largest economy, has seen some progress in sustainability disclosures, especially after the Nigerian Code of Corporate Governance (NCCG, 2018) urged companies to report non-financial information. However, ESG disclosures vary in quality across firms. Thus, ESG maturity in Nigeria is still nascent and requires better governance structures to support effective, standardized reporting.

Audit committees may impactESG reporting in several ways. For example, diligent committees are more likely to oversee corporate actions closely and ensure meaningful sustainability disclosures. Likewise, Arif et al. (2021) link frequent audit meetings with improved oversight of ESG risks and opportunities. Other audit committee characteristics such as equity holdings and age also matter. Equity holdings can align member interests with shareholders, increasing oversight. Yet excessive ownership may hinder independence (Matteo et al., 2022). Committee member age can influence ESG perspectives; older members may adopt a conservative stance, while younger ones might favor innovative, transparent reporting (Alodat et al., 2023). Nationalitydiversity brings in varied cultural insights, enriching ESG discussions. Yilmaz et al. (2023) find that diverse boards foster improved social and governance disclosures. Audit committee accounting expertise is another key factor. Financially literate committees are better equipped to interpret ESG data accurately, enhancing disclosure quality (Rejaul et al., 2024).

Shareholder activism, particularly from institutional investors, plays a growing role in ESG governance. Activists engage management, vote on ESG proposals, and push for better transparency. Lopez-de-Silanes et al. (2025) and Yanmei & Zhuowei (2024) demonstrate that institutional investors prioritize firms with strong ESG records and influence corporate disclosure reforms. In Nigeria, while institutional investors are becoming more active in ESG issues, challenges like ownership concentration and regulatory limitations still exist (Truong, 2025). As a moderating force, shareholder activism can either reinforce or weaken the influence of audit committees on ESG reporting. In firms with limited audit committee diligence or expertise, active shareholders may push for better disclosures. In firms with strong governance, activism can create synergy for improved ESG transparency. Tessa et al. (2018) argue that the impact of shareholder activism depends not only on the strength of investor voices but also on how receptive governance structures are to such engagement. Therefore, exploring the intersection of audit committee traits and activism offers valuable insights into optimizing ESG reporting.

Sustainability reporting in the Nigerian consumer goods industry faces structural and operational challenges. Although regulatory bodies like the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) encourage ESG disclosures, these guidelines are largely non-binding. Erin et al. (2023) report that only 38% of listed Nigerian firms provide any sustainability information, with fewer than 25% in the consumer goods sector aligning their ESG disclosures with standards such as the Global Reporting Initiative (GRI). Despite increasing awareness, ESG disclosure in Nigeria often serves as a compliance formality rather than a strategic engagement tool. Ogoun and Kalio (2022) highlight the disconnect between the volume and quality of information disclosed, noting that many firms rely on vague narratives devoid of measurable indicators. In addition, the consumer goods sector is particularly vulnerable to ESG risks due to its environmental footprint and labor-intensive operations. Furthermore, Erin et al. (2022) report low compliance with environmental regulations, with poor disclosures on emissions, waste, and resource use.

Theoretically, ESG reporting in Nigeria is often framed through agency and stakeholder lenses. While these theories are useful, they may overlook institutional limitations in emerging markets. Uwuigbe et al. (2020) note that governance features like board committees and audit independence do not always enhance ESG performance due to weak enforcement and minimal shareholder pressure. This highlights the need to explore audit committee dynamics and shareholder activism further. While global evidence links activism with improved ESG practices (Arowoshegbe & Uniamikogbo, 2021), Nigerian research has yet to deeply explore this dynamic (Okoye & Akingunola, 2023). This study addresses these gaps by examining how audit committee characteristics affect sustainability reporting, with shareholder activism as a moderator, in Nigeria's consumer goods sector.

This study was guided by the research questions: How does shareholder activism moderate the relationship between audit committee characteristics and ESG reporting of listed consumer goods companies in Nigeria. The main objective of the paper, therefore, is to examine the moderating effect of shareholder activism on the relationship between audit committee characteristics and ESG reporting of listed consumer goods companies in Nigeria. Accordingly, the study tests the following null hypotheses:

H_{01}: Audit committee diligence has no significant effect on ESG reporting in listed consumer goods companies in Nigeria

H_{02}: Audit committee equity holding has no significant effect on ESG reporting in listed consumer goods companies in Nigeria

H_{03}: Audit committee age diversity has no significant effect on ESG reporting in listed consumer goods companies in Nigeria

H_{04}: Audit committee nationality diversity has no significant effect on ESG reporting in listed consumer goods companies in Nigeria

H_{05}: Audit committee accounting expertise has no significant effect on ESG reporting in listed consumer goods companies in Nigeria

H_{06}: Shareholder activism has no significant moderating effect on the relationship between audit committee characteristics and ESG reporting in listed consumer goods companies in Nigeria

The study covers 16 companies listed on the NGX as of December 2024. This study is crucial for shareholders of listed consumer goods companies in Nigeria, as it examines how their collective influence moderates the effectiveness of audit committees in enhancing ESG reporting. Shareholders, increasingly focused on ethical and sustainable investments, can use these findings to advocate for improved governance, accountability, and transparency. Better ESG reporting reduces investment risks, strengthens stakeholder trust, and supports informed investment decisions.

2. Literature Review

2.1.1 ESG Reporting

Environmental, Social, and Governance (ESG) reporting refers to the disclosure of non-financial information that captures a firm's performance and impacts in areas related to sustainability, ethics, and governance practices. ESG reporting goes beyond traditional financial statements to provide insights into how companies manage environmental risks, engage with stakeholders, and ensure effective corporate governance. It has become a crucial tool for communicating accountability, transparency, and long-term value creation to a wide range of stakeholders, including investors, regulators, consumers, and civil society (Alodat et al., 2023).The environmental component includes information about a company's carbon emissions, energy efficiency, waste management, and resource conservation initiatives. The social dimension addresses issues such as employee welfare, community engagement, diversity and inclusion, and customer satisfaction. Governance, on the other hand, involves the structure and functioning of the board, executive compensation, audit oversight, risk management, and compliance with ethical standards.

2.1.2 Audit Committee Characteristics

The Audit Committee is a subset of corporate governance and is responsible for ensuring the integrity of corporate reports. Dimensions of the audit committee such as diligence, equity holding, age, tenure and accounting expertise may impact ESG reporting. Each of the audit committee characteristics are discussed in turns below.

2.1.2.1 Audit Committee Diligence

Audit committee diligence refers to the frequency and quality of audit committee meetings, as well as the active involvement of members in overseeing corporate reporting processes. A diligent audit committee is better equipped to monitor environmental, social, and governance (ESG) issues, given that ESG reporting often involves detailed and sensitive disclosures that require rigorous oversight. Arif et al. (2021) assert that frequent audit committee meetings significantly improve the transparency and quality of ESG disclosures, as they allow members to scrutinize both financial and non-financial performance more effectively.

2.1.2.2 Audit Committee Equity Holding

Audit committee equity holding refers to the extent of share ownership held by members of the audit committee in the company. It reflects the alignment of interests between audit committee members and shareholders, which theoretically enhances oversight quality. According to Arif et al. (2021), equity ownership by audit committee members can incentivize more active engagement in monitoring and evaluating corporate practices, including ESG disclosures. While such ownership may align the interests of committee members with shareholders, it also raises concerns about potential conflicts of interest. Buallay and Al-Ajmi (2020) emphasize that while equity holding improves sustainability disclosure through aligned incentives, it may compromise objectivity if members prioritize financial returns over long-term environmental or social goals. In developing markets, this concern is more pronounced due to weaker regulatory enforcement and lower transparency standards.

2.1.2.3 Audit Committee Age

Audit committee age pertains to the average chronological age of the members and is often viewed as a proxy for experience, maturity, and risk aversion. Older committee members may bring a wealth of professional insight, particularly relevant in the evolving landscape of ESG reporting. Arif et al. (2021) find that age contributes to the conservative tendencies of audit committees, promoting more cautious and detailed ESG disclosures. This conservatism ensures that reported information is not overly optimistic, thus increasing credibility. However, the relationship is not unidirectional. Desoky (2025) argues that while age can enhance ESG oversight through deeper contextual understanding, it may also be associated with resistance to change, especially in adopting new frameworks or technologies for ESG measurement. Therefore, older audit committee members may support high-quality reporting but may also hinder innovation.

2.1.2.4 Audit Committee tenure

Audit committee tenure refers to the number of years that members have served on the audit committee. Tenure is linked to institutional knowledge, familiarity with internal controls, and an understanding of the company's sustainability trajectory. Long-serving members can leverage this historical insight to monitor ESG performance more effectively. According to Arif et al. (2021), audit committee tenure has a positive effect on sustainability reporting because seasoned members are more familiar with the company's internal reporting systems and strategic goals. However, long tenure can also raise concerns about independence. Buallay and Al-Ajmi (2020) suggest that excessive tenure may lead to entrenchment and reduced objectivity, especially if committee members develop overly close relationships with management.

2.1.2.5 Audit Committee Accounting Expertise

Accounting expertise in the audit committee is defined as the presence of members with professional qualifications and experience in accounting, auditing, or financial reporting. Such expertise enhances the committee's capacity to scrutinize both financial and non-financial disclosures, including ESG reports. Arif et al. (2021) argue that the presence of accounting experts significantly improves the quality and reliability of ESG disclosures because these members can detect misstatements and ensure alignment with reporting standards.In Nigeria, Jibril et al. (2024) confirm the positive influence of accounting expertise on ESG disclosures. They note that such expertise is particularly critical in environments with limited regulatory oversight, where the audit committee must compensate for institutional weaknesses. As firms move toward adopting global sustainability frameworks such as GRI or SASB, the need for technically skilled audit committee members becomes more urgent.

2.1.3 Shareholder Activism

Shareholder activism refers to the efforts of shareholders, particularly institutional investors, to influence a company's behavior by exercising their rights as owners. These efforts may target a range of issues including executive compensation, governance structures, and, increasingly, sustainability disclosures. In recent years, there has been a global rise in ESG-driven activism, with investors pressing companies to disclose more meaningful data on environmental and social impact. According to Buallay and Al-Ajmi (2020), shareholder activism has evolved into a powerful mechanism for demanding transparency and accountability in corporate governance, especially regarding sustainability practices. Arif et al. (2021) emphasize that shareholder activism can serve as an external governance force, complementing internal mechanisms such as the audit committee. Active shareholders, particularly those with long-term investment horizons, often prioritize ESG performance because it aligns with sustainable financial returns. When these shareholders exert pressure, companies are more likely to improve the quality and scope of ESG disclosures.

2.2 Empirical Studies Review

Empirical research on ESG reporting has increasingly focused on the influence of audit committee characteristics. Arif et al. (2021) examined audit committee diligence, independence, and financial expertise in emerging markets, finding that diligent and knowledgeable committees significantly enhance ESG disclosure. Similarly, Matteo et al. (2022) assessed ESG performance in the EU and reported that audit committee expertise and gender diversity had positive effects on ESG scores. However, these studies largely ignore the unique corporate governance landscape in developing countries. In the context of the GCC, Buallay and Al-Ajmi (2020) revealed that audit committee equity ownership strengthens commitment to sustainability, while Desoky (2025) emphasized the role of financial expertise and independence in promoting CSR disclosures. Though insightful, these studies lack context-specific variables such as shareholder activism or socio-political influences prominent in Nigeria.

Within Nigeria, empirical studies have begun to uncover how audit committee features relate to ESG performance. Jibril et al. (2024) found audit committee diligence and age to be significant predictors of ESG disclosure in the energy sector. Similarly, Erin et al. (2022) demonstrated a positive association between audit quality and sustainability reporting in Nigerian listed firms. Alex et al. (2020) explored listed banks and concluded that audit committee independence and financial literacy enhance ESG outcomes. Meanwhile, Alodat et al. (2023) provided evidence that committee and board tenure positively impact ESG transparency, though they only tested for firm size as a moderating factor. While these studies highlight committee composition, they fail to incorporate the moderating effects of shareholder activism or ownership dynamics in shaping sustainability reporting behavior.

Several global studies also underscore the influence of shareholder activism on ESG practices. Truong (2025) reported that concentrated ownership can hinder ESG performance, suggesting a need for diversified institutional involvement. Lopez-de-Silanes et al. (2025) emphasized the growing ESG influence of institutional investors, showing that activist shareholders often push for stronger sustainability disclosures. Supporting this, Yanmei and Zhuowei (2024) found that institutional investors across Asia-Pacific exert positive pressure on firms' ESG scores. Faek et al. (2023) added that shareholder pressure, when combined with strong internal governance structures like well-composed audit committees, yields better ESG outcomes. Finally, Cornell and Shapiro (2021) argued that corporate valuation is increasingly influenced by stakeholder-oriented governance, affirming the rising prominence of ESG expectations among shareholders. However, most of these global studies do not offer nuanced insights into how these relationships operate in under-researched contexts like Nigeria's consumer goods sector.

Despite the growing body of research, several critical gaps remain. First, most studies either focus on audit committee characteristics or shareholder activism independently, without analyzing how these elements interact to influence ESG reporting. Secondly, while developed and emerging markets have been well explored, very few studies offer empirical evidence from Nigeria's consumer goods sector, where ESG challenges are pronounced. Third, although tenure, expertise, and diligence have been widely studied, the equity holding and age of audit committee members are still underexplored, particularly in developing countries. Fourth, many studies have ignored the moderating role of shareholder activism in governance-ESG linkages. Lastly, the integration of theoretical perspectives such as agency, stakeholder, and legitimacy theories remains fragmented, creating the need for a holistic framework that situates ESG reporting within Nigeria's unique institutional and regulatory environment.

2.3 Theoretical Framework

This study uses the agency theory to explain the relationship among the concepts explored. Agency theory, initially proposed by Jensen and Meckling (1976), addresses the inherent conflict between principals (shareholders) and agents (managers), who may act in self-interest rather than prioritize shareholder value. The theory argues that governance structures are essential in mitigating agency costs and aligning executive actions with the interests of shareholders. In the ESG reporting context, agency theory provides insight into why managers may choose to obscure or manipulate sustainability disclosures to shield themselves from scrutiny, especially when environmental or social performance is substandard. ESG disclosures can be perceived as threats to managerial discretion or as risks to corporate image. Consequently, external governance mechanisms such as shareholder activism and vigilant audit committees can play a crucial role in enforcing transparency and socially responsible practices.

3. Methodology

This study employs an ex post facto research design to examine how audit committee characteristics and shareholder activism influence ESG reporting among listed consumer goods firms in Nigeria from 2015 to 2024. This design is appropriate as it uses historical data, which cannot be manipulated by the researcher (Kerlinger & Lee, 2000). In addition, the study adopts a positivist research philosophy, which emphasizes objective reality, empirical observation, and quantifiable data (Cresswell, 2018). By examining the moderating effect of shareholder activism on the relationship between audit committee characteristics ESG reporting, the research aligns with a scientific approach that uses statistical techniques to test hypotheses and infer relationships based on observable phenomena. The population is 28 consumer goods firms listed on the Nigerian Exchange Group (NGX) as of 31st December 2024. The research uses the following criteria to arrive at the sample:Only companies that have consistently traded on the NSE for 10 years (2015 to 2024) were considered. Only companies that have provided full data for all the variables was included in this sample.These criteria led to the dropping of 12 companies from the sample, leaving 16 companies.

The period of study spans from 2015 to 2024, chosen to reflect recent trends in ESG reporting. The data extracted includes ESG metrics along with audit committee characteristics. The ESG data was collected through content analysis of in line with GRI indices. Data on shareholder activism was also gathered, specifically focusing on the proportion of shares held by institutional investors. The study utilized panel data multiple regression analysis to examine the proposed relationships. Panel data is ideal as it captures both cross-sectional and time-series dimensions, allowing for a more dynamic and comprehensive understanding of how audit committee characteristics and shareholder activism affect ESG reporting over time (Baltagi, 2008). Additionally, descriptive statistics, including mean, standard deviation, minimum, and maximum values, were used to summarize the data. Pearson's correlation analysis was also conducted to assess the strength and direction of relationships among the independent variables, moderator, and ESG reporting. In line with previous studies (Buallay & Al-Ajmi, 2020; Desoky, 2025), the primary Model 1 specifies the direct relationship between audit committee characteristics and ESG reporting.

First Model: $ESG_{it} = \alpha_0 + \beta_1 ACDL_{it} + \beta_2 ACEH_{it} + \beta_3 ACTN_{it} + \beta_4 ACAG_{it} + \beta_5 ACAE_{it} + \varepsilon_{it}$

Model 2: $ESG_{it} = \alpha_0 + \beta_1 ACDL_{it} + \beta_2 ACEH_{it} + \beta_3 ACTN_{it} + \beta_4 ACAG_{it} + \beta_5 ACAE_{it} + \beta_6 SHAC_{it} + \varepsilon_{it}$

Model 3 tests the moderating effect of shareholder activism on the relationship between audit committee characteristics and ESG reporting.

Model 3: $ESG_{it} = \alpha_0 + \beta_1 ACDL_{it} + \beta_2 ACEH_{it} + \beta_3 ACTN_{it} + \beta_4 ACAG_{it} + \beta_5 ACAE_{it} + \beta_6 SHAC_{it} + \beta_7 ACDL * SHAC_{it} + \beta_8 ACEH * SHAC_{it} + \beta_9 ACTN * SHAC_{it} + \beta_{10} ACAG * SHAC_{it} + \beta_{11} ACAE * SHAC_{it} + \varepsilon_{it}$

Where:

ESG= Environmental, Social and Governance Reporting: Measured through content analysis to ESG reporting.

ACDL = Audit Committee Diligence: Number of meetings held by the audit committee during a year.

ACEH = Audit Committee Equity Holding: Ratio of shareholding of the audit committee members to total issued share capital.

ACTN = Audit Committee Tenure: The average tenure of the audit committee members

ACAG = Audit Committee Age: Average age of audit committee members

ACAE = Audit Committee Expertise: Ratio of audit committee members with accounting expertise divided by audit committee size

SHA = Shareholder Activism: Ratio of shares held by institutional investors divided by issued share capital.

Discussion of Results

This section presents the results of the study, including the description of variables, normality test and correlation analysis. The section also contains regression results, post-estimation and specification tests.

Table 1: Descriptive Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
ESGR	160	67.10625	12.36225	45	90
ACDL	160	6.05625	1.360942	4	8
ACEH	160	1.484438	.5921337	.5	2.5
ACAG	160	46.1625	6.448526	35	57
ACNL	160	32.775	13.1823	10	55
ACAE	160	49.29375	15.55214	25	75
SHAC	160	62.09375	16.01878	33	90

From Table 1 above, ESG Reporting exhibits a mean value of 67.106, indicating a moderate to high level of sustainability disclosure among the sampled firms. The minimum and maximum values of 45 and 90, respectively, suggest significant variability in ESG reporting practices. Audit Committee Diligence shows a mean of 6, with values ranging from 4 to 8. This suggests that, on average, audit committees in the sample meet at least once every two months, with some being more proactive. Audit Committee Equity Holding reflects the financial stake of committee members in the company. The mean equity holding is 1.5%, with a range from 0.5% to 2.5%. This relatively low average indicates limited financial alignment between audit committee members and shareholders. Audit Committee Age has a mean of 45 years, with a minimum of 35 and a maximum of 57. This suggests that committee members are mostly mid-career professionals. Audit Committee Nationality Diversity, which captures the proportion of foreign members, has a mean of 33%, with values ranging from 10% to 55%. This indicates a moderate level of international representation on the audit committees. Audit Committee Accounting Expertise shows a mean value of 45%, meaning nearly half of the audit committee members possess accounting qualifications or professional experience. The range between 25% and 75% indicates some variation among firms. Finally, Shareholder Activism, the moderating variable, has a mean of 62%, with a minimum of 33% and a maximum of 90%. This suggests a generally active shareholder base among the firms sampled.

Table 2 presents the correlation analysis to examine the associations between audit committee characteristics, shareholder activism and ESG reporting.

Table 2: Correlation Analysis

Variable	ESGR	ACDL	ACEH	ACAG	ACNL	ACAE	SHAC
ESGR	1.0000						
ACDL	0.0886	1.0000					
ACEH	-0.3553	-0.0677	1.0000				
ACAG	-0.1137	-0.0154	0.1317	1.0000			
ACNL	0.0404	-0.0648	-0.0461	-0.0993	1.0000		
ACAE	0.0589	0.0066	0.1808	0.1073	-0.0817	1.0000	
SHAC	0.2215	-0.0098	-0.1002	0.0322	-0.0516	0.0373	1.0000

SHAC0.2215-0.0098-0.10020.0322-0.05160.03731.0000The findings from Table 2 reveal that audit committee diligence, audit committee nationality, audit committee accounting expertise, and shareholder activism all exhibit

positive correlations with ESG reporting. This suggests that more diligent audit committees (i.e., those that meet more frequently), greater diversity in nationality, higher representation of accounting professionals, and a more active shareholder base are associated with improved ESG disclosures. Conversely, audit committee equity holding and audit committee age demonstrate negative correlations with ESG reporting. The negative association with equity holding may imply that when audit committee members have a higher financial stake in the firm, they may prioritize financial performance over extensive ESG disclosures, possibly due to concerns about the cost implications of sustainability initiatives. Similarly, the inverse relationship with committee age could indicate that older members may be less inclined toward the evolving norms of sustainability and ESG compliance compared to their younger counterparts.

In addition, the study conducts robustness tests, including multicollinearity and heteroscedasticity, to ensure the reliability of the results. Table 3 below shows the results of the multicollinearity test.

Table 3: Multicollinearity Test

Variable	VIF	1/VIF
ACEH	1.07	0.936784
ACAE	1.05	0.953289
ACAG	1.03	0.966341
ACNL	1.02	0.977521
SHAC	1.02	0.982284
ACDL	1.01	0.989949
Mean VIF	1.03	

The results show that all VIF values range between 1.01 and 1.07, with a mean VIF of 1.03, which is significantly below the commonly accepted threshold of 10. This indicates the absence of multicollinearity among the explanatory variables, suggesting that each variable contributes independently to the model without inflating the standard errors of the regression coefficients. In addition, the heteroscedasticity test was conducted the examine the constant variance among the residuals. The result shows a chi2 of 2.78, which is not significant at the 5% level (see appendix).The results of the heteroscedasticity test indicates that the assumption of the homoscedasticity is not violated and that OLS regression is sufficient for analysis.

Furthermore, the Hausman specification test was conducted to check which regression model is suitable between fixed and random effects. The results (see appendix) show a chi2 of 2.25, which is not significant at the 5% level. This suggests that random effects are more suitable for analysis. However, the Lagrangian multiplier test results show that OLS regression is most preferred as the chi2 is not significant at the 5% level.Thus, the OLS regression for the direct effect is presented in the Table blow.

Table 4: OLS Regression (Direct Effect)

Variables	Coef.	Std. Err.	T	P>t
ACDL	.6161691	.6652883	0.93	0.356
ACEH	-7.133156	1.571869	-4.54	0.000
ACAG	-.1592913	.1421118	-1.12	0.264
ACNL	.0381957	.0691197	0.55	0.581
ACAE	.0997064	.0593271	1.68	0.095
SHAC	.1451421	.0567424	2.56	0.012
Cons	66.1374	9.490308	6.97	0.000
R-Squared		0.1875		
Adj R-squared		0.1557		
F		5.89		
Probability		0.0000		

The model has an F-statistic of 6.60 with a p-value of 0.000, indicating that the model is statistically significant overall. The R-squared value of 0.1875 suggests that approximately 18.75% of the variation in ESG reporting is explained by the included independent variables. From the individual coefficients, audit committee equity holding shows a negative and statistically significant effect on ESG reporting (β = -7.13, p < 0.01), suggesting that increased financial interest of audit committee members may reduce their inclination toward comprehensive ESG disclosures. On the other hand, shareholder activism demonstrates a positive and significant relationship (β = 0.145, p = 0.013), indicating that active shareholders tend to push for greater ESG transparency. The coefficients for audit committee diligence, age, nationality, and accounting expertise, however, are not statistically significant in this model, implying that their direct effects on ESG reporting are not strong enough.

The next regression result presents the result of the moderating effect of shareholder activism.

Table 5: OLS Regression (Moderating Effect)

ESGR	Coef.	Std. Err.	t	P>t
ACDL	2.743634	1.149	2.39	0.018
ACEH	-8.287791	1.966833	-4.21	0.000
ACAG	-.2227637	.2726175	-0.82	0.415
ACNL	.2702059	.2451206	1.10	0.272
ACAE	.3439086	.1131733	3.04	0.003
SHAC	.518264	.0935535	5.54	0.000
SHACACDL	-.0484181	.0184084	-2.63	0.009
SHACACEH	.1014015	.0355019	2.86	0.005
SHACACAG	.0012871	.0042358	0.30	0.762
SHACACNL	-.004946	.0039097	-1.27	0.208
SHACACAE	-.0047672	.0018566	-2.57	0.011
Constant	44.03975	9.480594	4.65	0.000
R-squared		0.4002		
Adj. R- squared		0.3556		
F.		8.98		
Probability		0.0000		

The model is statistically significant with an F-statistic of 28.42 (p < 0.01) and a markedly improved R-squared of 0.4002, indicating that approximately 40% of the variation in ESG reporting is explained by the model, an improvement from the 18.75% explained in the base model.

Among the direct effects, audit committee diligence (β = 2.74, p = 0.006), accounting expertise (β = 0.34, p = 0.000), and shareholder activism (β = 0.52, p = 0.000) are all positively and significantly related to ESG reporting. This suggests that more frequent audit committee meetings, presence of financial expertise, and heightened shareholder activism individually enhance the quality and volume of ESG disclosures. In contrast, audit committee equity holding has a significant negative relationship (β = -8.29, p = 0.000), reaffirming concerns that equity-stockholding audit members may be more profit-driven, possibly at the expense of transparency. The effects of committee age and nationality remain statistically insignificant in this model, indicating their limited standalone impact on ESG reporting.

The interaction terms provide deeper insights into the moderating role of shareholder activism. Notably, activism weakens the positive impact of diligence (β = -0.048, p = 0.002) and accounting expertise (β = -0.005, p = 0.001) on ESG reporting, which may reflect potential over-monitoring or conflicting strategic pressures when both shareholder and committee oversight are intense. Conversely, activism moderates the negative influence of equity holding positively (β = 0.101, p = 0.006), suggesting that active shareholders can counterbalance the detrimental effects of entrenched committee members. Interaction effects with committee age and nationality are statistically insignificant, indicating no moderating influence in these relationships. Overall, the results demonstrate that shareholder power not only has a direct effect on ESG disclosure but also interacts in complex ways with board mechanisms to shape sustainability outcomes. All the hypotheses are tested at the 5% level of significance.

The study found that audit committee diligence has a significant positive effect on ESG reporting based on ($\beta = 2.74$, $p = 0.006$). Therefore, this study rejects the null hypothesis one.The results indicated that audit committee equity holding has a coefficient of -8.28, which is Signiant at the 5% level, indicating that it has a significant negative influence on ESG reporting. Based on this, the study rejects null hypothesis two.The coefficient for audit committee age diversity is -0.22 with a probability of 0.338, suggesting that the variable has an insignificant positive influence on ESG reporting. This study, therefore, fails to reject null hypothesis threeAudit committee nationality diversity has a coefficient of 0.270 and a probability of 0.230, indicating an insignificant positive effect. Thus, this study fails to reject null hypothesis four.The study found that audit committee accounting expertise has a significant positive effect on ESG reporting based on ($\beta = 0.344$, $p = 0.000$). Therefore, this study rejects the null hypothesis five.The results indicate that shareholder activism significantly moderates the relationship between audit committee diligence, equity holding and accounting expertise with ESG Reporting. However, shareholder activism on audit committee age and nationality and ESG reporting are insignificant. Thus, this study rejects the null hypothesis six.

The findings of this study both align with and contradict existing empirical research on audit committees, shareholder activism, and ESG reporting. Like Arif et al. (2021) and Matteo et al. (2022), this study confirms that audit committee diligence (frequent meetings) and accounting expertise enhance ESG reporting, reinforcing the global consensus on the importance of committee competence. However, the results of this study diverge from Buallay and Al-Ajmi (2020), who found equity ownership in GCC committees strengthens sustainability commitment. The study's negative association between equity holdings and ESG transparency suggests Nigerian committees with equity stakes may prioritize short-term profits over stakeholder interests, reflecting contextual differences in governance priorities.

The findings align with global studies (Faek et al., 2023; Cornell & Shapiro, 2021) that activism directly improves ESG disclosure. This supports the idea that shareholders act as external monitors pushing for accountability. However, the discovery that activism weakens the positive effects of diligence and expertise contrasts with Lopez-de-Silanes et al. (2025) and Truong (2025), who assume additive benefits. This suggests activism in Nigeria may create over-monitoring or conflicting priorities, reducing committee effectiveness. While Nigerian studies (e.g., Jibril et al., 2024; Erin et al., 2022) highlight audit committee traits, the focus on shareholder activism as a moderator addresses a critical gap. For instance, Alex et al. (2020) emphasized committee independence but overlooked activism's role in shaping governance dynamics. This work contextualizes ESG drivers within Nigeria's unique corporate landscape, where socio-political pressures and weak regulatory enforcement amplify governance complexities.

The findings can be interpreted through agency theory. The direct positive effect of shareholder activism aligns with agency theory, where activism reduces information asymmetry by pressuring committees to disclose ESG data. However, the weakened impact of diligence/expertise under activism suggests potential overlap in monitoring roles, leading to inefficiencies. This reflects a paradox: while activism mitigates agency costs, excessive oversight may dilute committee autonomy. The negative effect of committee equity stakes supports agency theory's warning that equity-aligned agents (committee members) may prioritize personal gains (profits) over principals' (shareholders') ESG interests.

5. Conclusions and Recommendations

This study examines how shareholder activism interacts with audit committee characteristics to shape ESG reporting among listed consumer goods companies in Nigeria.Using moderated regression analysis, the findings reveal a statistically significant model explaining 40% of ESG reporting variance. Direct effects highlight audit committee diligence, accounting expertise, and shareholder activism as strong positive drivers of ESG transparency. However, audit committee equity holdings significantly reduce ESG disclosure, suggesting profit-driven motives may override stakeholder interests. These results align with global research on the importance of committee competence but contrast with studies in the GCC, where equity ownership enhanced sustainability commitment, underscoring Nigeria's unique governance challenges.The moderating role of shareholder activism introduces complexity: while activism directly improves ESG outcomes, it weakens the positive impacts of committee diligence and expertise, indicating potential over-monitoring or conflicting priorities. Conversely, activism mitigates the negative effect of equity holdings balancing profit biases with stakeholder demands.

The study recommends that:

i. The management of manufacturing companies should invest in training and resources that enhance the effectiveness and diligence of their audit committees. Regular evaluations of committee performance and clear accountability measures could help ensure a continuous focus on ESG reporting.

ii. The board of manufacturing companies should consider limiting or carefully monitoring equity ownership among audit committee members to reduce potential conflicts of interest and ensure a stronger focus on comprehensive ESG reporting.

iii. Given the negative impact of audit committee age on ESG reporting, it may be beneficial for board of companies to balance the age composition of their audit committees. Encouraging a mix of younger and more experienced members can bring fresh perspectives to ESG issues, alongside the institutional knowledge provided by older members, ensuring that ESG considerations remain at the forefront.

iv. The negative effect of audit committee nationality diversity on ESG reporting highlights potential challenges in aligning diverse perspectives with corporate ESG goals. The regulators of manufacturing companies such as the NGX should take steps to improve the integration of diverse nationalities on their audit committees, ensuring that cultural and geographical differences do not impede effective ESG reporting. This could involve fostering better communication and ensuring alignment on global ESG best practices.

v. Since audit committee accounting expertise has a significant positive effect on ESG reporting, future codes of corporate governance for public companies should prioritize recruiting audit committee members with strong backgrounds in accounting and finance. This will ensure that the committee has the necessary skills to oversee accurate and transparent ESG reporting, which requires sound financial knowledge for effective disclosure and compliance with relevant standards.

vi. The board and management of manufacturing companies should foster a collaborative relationship with activist shareholders while ensuring that audit committees maintain high levels of diligence and expertise. This could be achieved by creating clear guidelines for shareholder engagement that prioritize long-term sustainability goals, ensuring that activism supports, rather than disrupts, effective ESG governance.

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