Sustainability Reporting Compliance and Financial Performance of Companies Listed On the Nigeria Stock Exchange

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ABSTRACT*: Sustainability reporting is currently a contemporary issue in accounting studies. This study examines the impact of sustainability reporting compliance on the financial performance of listed firms in Nigeria. Secondary data was collected from annual reports of a sample of fifty seven companies listed on the Nigerian Stock Exchange. Simple disclosure index was used to score sustainability reporting Compliance using Economic (ECM), Environmental (EVM) Social (SOC) and Governance (GOV) disclosures in the annual reports of the sampled firms based on Nigeria Stock Exchange (NSE) Sustainability Reporting Guideline. The firms' financial performance was evaluated based on Net Profit Margin (NPM) and Return on Capital Employed (ROCE). Using least square panel data analysis, the results show that listed companies in Nigeria have significantly complied with the sustainability disclosure guideline. The aggregate average sustainability Reporting Compliance (SRC) by all the firms examined was 75%. It was also found that there is a significant association between sustainability Reporting Compliance and Net Profit Margin (NPM) as well as Return on Capital Employed (ROCE). It is recommended that companies, both local and international should adopt sustainability in their day-to-day policies to be legitimate in their daily activities on the planet and also enjoy better financial performance. There should also be legislative backing for sustainability reporting compliance to enable companies comply and there is need for uniformity in sustainability framework since the subject is an evolving one.*

KEYWORDS: sustainability reporting, financial performance, sustainability guidelines

INTRODUCTION

Sustainability reporting is currently a contemporary issue in accounting studies. Many researchers are going into this area to empirically document how companies are coping with the demand for sustainability, especially in this 21st Century.The 21st Century has its possible requirements for any business to thrive. The overall objective of any organization is to consistently grow and survive on a long term basis (Aondoakaa, 2015). Especially in the face of this environmental crisis besieging the whole world. According to Welford (1997), the current environmental situation is a crisis that needs immediate attention. As such, ignoring the environment while trying to achieve the goal of the organization will not only make things worse, but will make businesses unsustainable in the long run. When this happens, then the whole economy will be affected and businesses who could have solved the initial problem but left it to degenerate, will become penny wise but pounds foolish.

Following from the above, Welford (1997) made it clear, that since businesses are the major contributors to the environmental pollution in the world, they must be involved in cleaning up the mess. The relationship between the business and the immediate environment should be a symbiotic one (Aondoakaa, 2015). While contributing to the economy, there must be a return going to the environment as well, so that businesses can have an enabling environment to operate in. it should not be a situation described by Welford (1997), which made an open accusation that “businesses are content seeing the environment fall apart”.

Earnst and Young (2013) maintains that the environment must be in the budget of every economic organization. This is because, profit will become unsustainable in the long run if the environment from which the profit is being made is constantly being ignored without remedy (Unerman etal, 2007). As such economic activities must be based on socially, environmentally and of course sustainably accepted before they are carried out.

Following from the above, The securities and exchange commission in Nigeria made it clear in a sustainability stakeholders forum that to be sustainable, every business must think of three key issues before they reach economic decision. These keys are issues are People, Planet and Profit. Any attempt to look away from any of these will resort in an unsustainable decision will never be environmentally friendly (SEC Forum, 2019). It therefore behooves every business organization to consider People who are working in those businesses, People living around the businesses, people who are affected one way or the other by the decision of business and people who are less privileged to fight for themselves before they stamp off their business decision. Businesses are also to consider the Planet (Environment) in which they operate. The Planet is key to the operation of any business. If the planet becomes unsupportive of business, no business will survive. As such. Unerman (2007) postulates that the Planet should be seen a key stakeholder in any business decision to be reach in any organization. Aondoakaa (2015) supported this view by clearly making a caricature of unsustainable businesss decision aimed at “economic growth” which he describes as (characterized by energy and material-intensive production and exploitative social relations) concluded by Unerman etal. (2007) as socially and environmentally unsustainable and unacceptable. In the words of Aondoakaa (2015) ‘’ if business as a whole operates in a manner which causes damage to the society and thereby causes a break down in the social harmony necessary to provide a stable context for operation, then such business activities are neither economically nor socially sustainable”

It will be out of place for any business to believe that their activities does not have impact on their immediate environment. This is because, business activities actually take place in the environment.

To control the impact businesses are having on the Earth, the Living Planet Report (WWF, 2008) in 2008 emphasised that immediate action should be taken to promote sustainable development. It is envisaged that a sustainable development initiative will minimise the use of natural resources and reduce emissions of waste and pollutants over the life cycle so that it does not jeopardise the needs of future generations (Ofstad, 1994).

Peculiar to Nigeria is the environmental challenges posed by industries. Think of all the water pollution, air pollution and other forms of pollution activities going on in Nigeria. You will come to agree that Businesses must be socially responsible. The sad event of the tanker outburst in Kogi, which claimed over one hundred lives is the easiest that comes to mind. What of the tanker outburst in Lagos Ibadan express way in 2018, which roasted human beings who were going about their daily lives, what of the constant water pollution and destruction of the eco system in Ogoni land and the Niger Delta as a whole. These events are so sad to remember. Ekwueme (2011) described them as events that will always come to mind reminding us of how Businesses have impacted our immediate environment. According to Ekwueme (2011), all these big corporations once looked upon as the exclusive concern of its owners for profit purpose must now be held accountable and must be viewed as being responsible to the society also, if they must continue their economic activities in our environment.

Following from the above, Eneh etal. (2019) postulated that "since United Nations charter on the environment came into existence, efforts to ensuring sustainability has received recognition globally as one that simultaneously addresses the concerns of this generation's and also ensures that future generations can also meet their own needs. Firms are now expected to show their concerns for contributing to efforts at ensuring sustainability by taking up corporate sustainability reporting or "the triple bottom line" that incorporates environmental, social, and economic parts". Eneh Etal, (2019) believes that sustainability is simply the ability of the businesses operating now to meet their needs using the environment without hampering the future generation from meeting their own needs too in the future. This is simply the whole essence of sustainability. If businesses are sustainable, it becomes easier for them to make reasonable and environmentally friendly policies. The question is how many businesses are tolling this lane to ensure that the environment is replenished and conserved for the future generation. Most businesses wants to gain it all today but lose it all in the future as implied in the thoughts of Welford (1997).

In our world today, Businesses are increasingly being held accountable for their activities in the environment. According to Aondoakaa (2015), sustainability is no longer an issue of volition. Every business must ensure they are complying with sustainability, not necessarily its reporting. This is because reporting has a way of deceiving the companies. They only tick off the boxes and report, but they may not necessarily be complying in terms of making their daily activities sustainable. Especially in a country where everything passes, whether good or bad. Unerman et al, (2007) postulates that one way to look at these issues is in terms of long-term need to ensure that economic activity is socially and environmentally sustainable. In the short-term it may be possible to have economic growth, while damaging society and the environment. In the long-term this is impossible. For example, businesses need a stable society in which to operate profitably. It is not also out of place for some businesses to generate profit from addressing the outcomes of social conflicts, such as businesses offering security service etc.

Ekwueme (2011) also supported this view that Companies are now widely being held responsible for their environment. White (2009) also agrees that "the pressure for corporations to reassure the public of their good behaviour has increased. Organisations are paying attention to their stakeholders as well as their stockholders.". In other words, there is an increased stakeholdership of corporations. The social, environmental and economic stakeholders is the new portfolio of the stakeholdership they must maintain to be successful in business. Aondoakaa (2015) believes that Business managers are beginning to see that this approach to conducting business must become a part of the strategy for their companies in order to prosper in the future. Thus, it behooves every organization to ensure compliance from their own end if they must last in the business environment in this 21st Century (Ekwueme, 2011).

Having postulated the fact that business organisations need to devise a plan that will not only make them solve environmental problem now, but will also make the environmental problem in the future solveable, it becomes compulsory for there to be a set of rules and guidelines to give direction in terms of compliance with policies that are sustainable. In a quest to ensure this is done globally by business organisations round the world, the Global Reporting Innitiative (GRI) – the leading global Standard was formulated to enable business have a sense of direction while complying with Sustainability reporting. These rules will hold business organisations responsible and accountable as well. Earnst & Young (2013) describes the GRI framework as a collection of reporting guidance documents- all of which were developed global consultation with multiple stakeholders through a well defined consultative process designed to help companies prepare a sustainability report and ESG disclosures. Based on Boston Consulting Group (2013) research on sustainability reporting, there are lots of benefits of actually reporting sustainability using the GRI approach. These benefits include but not limited to standardization of sustainability report, guidance on material issues, harmonization with other sustainability standards such as OECD guidelines for multinational organisations, ISO 26000, the UN Global compact and other reports that makes sustainability compliance clearer in terms of reporting.

Narrowing sustainability reporting down to the Nigeria environment, Of course, environmental reporting requirements have since been set by the government (Federal Ministry of Environment with enforcement by National Environmental Standards and Regulations Enforcement Agency (NESREA). But more recently in 2015, the Central Bank of Nigeria, the financial market regulator, released the Nigerian Sustainable Banking Principles (NSBPs). This is a guideline for sustainability reporting that financial institutions have been following with varied success. Since

2015, there has been a lot of learnings and even though the CBN carries out periodic monitoring, it's still being seen as a learning curve (Akinbode etal, 2019). Akinbode etal. (2019) further noted that" the recent sustainability reporting guideline by Nigeria's Stock Exchange Commission (SEC) shows that sustainability reporting is here to stay, and will get even more stringent over the next five years. The SEC released its guidelines in late 2018 mandating all companies on the stock exchange to report on its social and environmental activities (whether in the annual report or a separate sustainability report (though annual reports seem more popular). These guidelines come as no surprise as the SEC has been involved in various business sustainability conversations and had been organising an annual session (with EY) over the past four years"., Nigeria and South Africa are the only two African countries with mandatory sustainability reporting instruments for companies on its stock exchanges as of now.

The SEC Sustainability Disclosure Guidelines cover economic (contribution to the larger economic system), environmental (such as natural resource use, emissions and waste), social (such as relationship with communities, labor practices, human rights) and governance (around clear E&S responsibilities at the Board level) themes

Akinbode etal, (2019) categorized the provision of the Nigeria Sustainability guidelines into nine different categories as follows

1. Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
2. Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
3. Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle
4. Businesses should engage with and provide value to their customers and consumers in a responsible manner
5. Businesses should promote the wellbeing of all employees
6. Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
7. Businesses should respect and promote human rights
8. Businesses should support inclusive growth and equitable development
9. Business should respect, protect, and make efforts to restore the environment

The bottom line as noted by Akinbode etal, (2019) is that the issuance of these guidelines by SEC means that companies on the Nigerian stock exchange will be forced to carry out activities to show their progress and contribution towards sustainable development. Experience with the CBN NSBPs has shown that over the next few years, SEC may focus more on knowledge sharing and hand-holding to sensitize company boards and management, and address issues arising across industries. But this step definitely shows that the country is on the right track to promoting responsible businesses.

Following from the above, we can see clearly that Nigeria is also a big player of sustainability in Africa. The sec guideline is being followed by companies listed on the Nigeria Stock exchange, while several other multinationals not listed in the stock exchange are complying primarily with the Global reporting Innitiative (GRI) provisions.

Are companies actually complying with sustainability reporting?, what is the extent of compliance in Nigeria, is there a relationship between susutainability reporting compliance and the financial performance of complying companies etc. these are crucial issues that are considered in the course of this study.

Statement of the Problem

The fact that companies are under regulations to comply with sustainability reporting does not automatically mean that they will comply. A study in a survey conducted by the CFA Institute in 2017 in UK found that 73 percent of the respondent-companies consider environmental, social and governance (ESG) issues in their investment analysis and decisions. Sustainability reporting provides institutional investors easy access to ESG information and, at the same time, allows companies to discuss their sustainability performance in a clear and concise manner. Philippines Stock Exchange Commission (PSEC) lamented however that in the Philippines, less than 22 percent of quoted firms have published a report on sustainability impacts and performances. Most developing countries including Nigeria are just barely able to disclose comprehensive corporate social responsibility information let alone developing a wider framework of sustainability reporting (Ekwueme, 2011).

Several studies on the impact of sustainability reporting on financial performance all centered around entities outside Africa. Few studies focusing on Nigeria entities are either not using the appropriate matrix for measuring sustainability or they failed to correlate the actual relationship between Corporate sustainability compliance and Financial performance. In Nigeria, early studies focused more on the issue of only environmental studies and not necessarily tying it out on corporate financial performance. Those that tried tying it out to Financial performance either limited the scope of their study to a sector. For example, Asaolu (2011) addressed the Oil and Gas sector, Ayoola (2011) followed the same partern of work, Ayoola and Salawu (2011) also assessed the Nigerian Oil and Gas sector sustainability reporting, Oyewo and Badejo (2014) focused more on the Financial sector. Especially on the development of sustainability reporting practice by banks in Nigeria employing a 30-item checklist to ascertain compliance. Nwobu (2015) using content analysis and Onyali and Onodi (2015) used primary data to examine sustainability reporting for Nigerian entities in the manufacturing sector. All these scholarly works are largely insufficient. Again, prior studies such as Asaolu etal. (2011) Oyewo and Badejo (2014) and Nwobu (2015)

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have been limited in their research focus on sustainability reporting. They primarily restricted their works to evaluating the level of sustainability reporting for the entities examined, but did not extend further to show what factors control sustainability reporting level, what the extent of compliance is and whether there is actually any relationship between financial performance of the complying entities and sustainability reporting in accordance with the guidelines provided by Nigeria Stock Exchange. It is unclear what impact Sustainability Reporting has had on organisation strategies, practices and outcomes (Hubbard, 2008), especially corporate financial performance. Also, only Okwuosa and Adesina (2021) appears to be the only current literatures that examined the quality of compliance to the new guidelines approved in Nigeria by the Nigeria Stock Exchange. However, they did not examine the impact of compliance on profitability. All current works in the study of sustainability reporting and financial performance are all based on the Global Reporting Initiative (GRI). This gap in literature is what this study intends to bridge. This work measures sustainability reporting using the approved Nigeria Stock Exchange Sustainability Guidelines.

Objectives of the Study

The main objective of this research is to ascertain the impact of Sustainability Reporting on the financial performance of selected companies listed in the Nigeria Stock Exchange (NSE)

The specific objectives of this research are as follows:

(i) To ascertain the extent of compliance with the Nigeria Stock exchange Sustainability Disclosure Guidelines using simple disclosure Index

(ii) To determine the impact of sustainability reporting compliance on the Profitability of companies listed in the Nigerian Stock Exchange.

Statement of Research Questions

The following research questions will be answered during this research:

(i) What is the extent of compliance by selected listed companies in Nigeria Stock Exchange with the Nigeria Stock Exchange Disclosure Guidelines using simple disclosure Index

(ii) How does Sustainability Reporting compliance (SRC) impact on the Profitability (NPM) of companies listed on the Nigerian Stock Exchange.

(iii) How does Sustainability Reporting Compliance (SRC) impact on the Profitability (ROCE) of companies listed on the Nigerian Stock Exchange.

Statement of Research Hypotheses

The following are the hypotheses of the study:

(i) **Ho** there is no significant compliance with the NSE sustainability disclosure guidelines

H1 there is a significant compliance with the NSE sustainability disclosure guidelines

(ii) **Ho** There is no significant association between compliance with the NSE sustainability disclosure guidelines (SRC) and Net Profit Margin (NPM) of listed companies in Nigeria.

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H1 There is a significant association between compliance with the NSE disclosure guidelines (SRC) and Net Profit Margin of listed companies in Nigeria.

(iii) **Ho** There is no significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria.

H1 There is a significant association between compliance with the NSE sustainability disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria.

Scope of the Study

The main aim of this study is to examine the impact of sustainability reporting on the financial performance of selected companies on the Nigeria Stock Exchange. The research uses information from the Financial statements of listed companies in Nigeria. The period covered is from 2010 to 2020. The information analysed in this research is purely based in Nigeria.

Significance of the study

The significance of this study can be viewed from three main perspectives

1. The Academic significance

a. The study will contribute to the body of knowledge available on sustainability reporting and financial performance

b. It will serve as a reference documents for scholars who are working in the area of sustainability reporting

c. It will guide researchers on methodology to be used when measuring sustainability

d. It will also form part of the literary appreciations and contribution to the current debate on Sustainability reporting, being a contemporary issue

2. The regulatory significance

a. This study will help to contribute in the regulation of sustainability reporting

b. It will give Financial Reporting Council as clearer light of the impact of sustainability reporting and will also help their policy

c. It will shed more light to the benefits of adopting the Nigeria SEC sustainability reporting guideline

d. This study will help government in their day to day sustainability operation

e. Professional bodies regulating Accounting will learn a lot from the study and will also know more about this contemporary accounting issue.

3. The practical significance

a. It will redefine stakeholdership in companies to include the immediate environment and people being used to generate profit for the organization and lay credence to the fact that an organisation's goal must be all encompassing to include, planet, people and profit.

b. This research will eliminate the fear of organistations whether complying with sustainability reporting affects them positively or not.

c. It will chart the course for compliance for the companies who are currently complying

d. It will create awareness for communities where non complying companies are operating. It will make communities begin to ask for companies to comply.

Definition of Terms

The following definitions shall be adopted in the course of this study

1. **Corporate Governance**. The way in which companies are directed and administered with all stakeholders in mind in line with certain Governance regulation
2. **Financial Performance**. This represents the overall company financial health in terms of Profit or loss, Statement of Financial Position and Cashflow.
3. **Global Reporting Innitiative**. A susutainability reporting guideline to aid sustainability reporters when reporting sustainability

Theoretical Framework

Several Scholars have come to agree that out of all the theories used to explain off sustainability reporting, Legitimacy theory as well as stakeholders theory are still the most widely quoted and accepted as basis for explaining sustainability reporting (Ekwueme, Akinbode, 2019; Nnnamani, 2017; Ashaolu, 2011) all attested to this fact. The Stakeholder and Legitimacy theories believes that companies who are socially friendly in their day to day business activities will likely have a better competitive edge over their counterparts who are not sustainable in their day to day business policies and procedures.This study focuses more on Stakeholders theory.

Stakeholder Theory

This theory considers a set of information that must be disclosed in the financials to cater for the need of all Stakeholders. Most importantly of all the expectations of stakeholders, at the minimum every stakeholder expects companies to be socially and environmentally responsible. This will help the company gain popularity with Stakeholders and will lead to the company achieving more economically since they now have the buy in of all Stakeholders. In a nutshell, for every company, there is a premium that comes from being socially and environmentally responsible. When companies make their policies sustainable, they end up building good reputation. This good reputation will help them increase their sales thereby increasing their profitability. As usual, employees prefer to work for profitable organization. Hence, such sustainable organisation will attract employees to themselves. The main groups of stakeholders are: Customers, Employees Local communities, Suppliers and distributors, Shareholders. There are other stakeholders which am constrained by space to mention in the cause of the research.

Legitimacy Theory

Legitimacy has been defined by Lin (2005) as a condition or status which exists when an entity's system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy. Legitimacy theory is a subset of political economic theory (Gray et al., 2001) opines that the legitimacy of a company to operate in society depends on the contract between the company and the society. Managers continually attempt to ensure that their company complies with its social contract by operating within society's expectations. This suggests that managers have incentives to disclose information that indicates that the company is not in breach the various laws and institutions guiding the peace of that society (Kent and Stewart, 2008).

This means that companies that are not sustainable in their day-to-day activities in any society are indirectly tagged illegal operators, as they are in breach of the environmental ambience being enjoyed by the society at large. This therefore calls for companies to consider how sustainable their policy is before carrying them out. This will help curb pollution, elongate the life of the occupant of the environment and also increase the profitability of the organization. This is because, people will certainly patronize companies that are sustainable. This increase in patronage will lead to increased sales and profit in the long run.

Conceptual Review

World Commission on Environment and Development (1987) defines sustainable development 'as meeting the need of the present generation without compromising the ability of future generations to meet their own needs' According to Nnamani etal.,(2017), the definition of Sustainability reporting was first coined in 1994 by John, the founder of Sustain-Ability (A Sustainability Consulting Firm) which championed the Tripple bottom line concept as reporting business impact on People, Planet and Profit. Sustainability reporting covers the need to meet today's needs by not hampering the ability of the future generation to meet their own need as well. In a nutshell, sustainability reporting is a holistic approach to reporting the social, economic and environmental impact that business activities has had in our everyday life.

Elucidating more on the triple bottom line concept, companies are expected to ensure that their bottom line is based on People. People are the main assets that are used in carrying out business activities. There is need to take care of people so that the business activities being carried out actually favours them. Secondly, Planet is where the business activities is being carried out. The environment must be taken care of so as to make the returns being earned sustainable in the long run. Lastly, the bottom line of the profit of the organization should also be a worthy one. Profit should not be made at the expense of the environment. Once a company meets these three bottom lines, we can assume that the company is corporately responsible.

Social sustainability

Social sustainability aims to preserve social capital by investing and creating services that constitute the framework of our society. The concept accommodates a larger view of the world in relation to communities, cultures and globalisation. It means to preserve future generations and to acknowledge that what we do can have an impact on others and on the world. Social sustainability focuses on maintaining and improving social quality with concepts such as cohesion, reciprocity and honesty and the importance of relationships amongst people. It can be encouraged and supported by laws, information and shared ideas of equality and rights. Social sustainability incorporates the idea of sustainable development as defined by the United Nations sustainable development goals. The principle of sustainable development addresses social and economic improvement that protects the environment and supports equality, and therefore the economy and society and the ecological system are mutually dependent (Diesendorf, 2000).

Economic sustainability

Economic sustainability aims to maintain the capital intact. If social sustainability focuses on improving social equality, economic sustainability aims to improve the standard of living. In the context of business, it refers to the efficient use of assets to maintain company profitability over time. As stated by the UK Government (Annual Report 2000, January 2001):

Critics of this model acknowledge that a great gap in modern accounting practices is not to include the cost of damage to the earth in market prices (Hawking, 2010). A more recent approach to economics acknowledges the limited incorporation of the ecological and social components in this model. New economics is inclusive of natural capital (ecological systems) and social capital (relationships amongst people) and challenges the mantra of capital that continual growth is good and bigger is better, if it risks causing harm to the ecological and human system (Benn et al., 2014).

Environmental sustainability

Environmental sustainability aims to improve human welfare through the protection of natural capital (e.g. land, air, water, minerals etc.). Initiatives and programs are defined environmentally sustainable when they ensure that the needs of the population are met without the risk of compromising the needs of future generations. Environmental sustainability, as described by Dunphy, Benveniste, Griffiths and Sutton (2000), places emphasis on how business can achieve positive economic outcomes without doing any harm, in the short- or long-term, to the environment. According to Dunphy et al. (2000) an environmentally sustainable business seeks to integrate all four sustainability pillars, and to reach this aim each one needs to be treated equally.
The principle of the four pillars of sustainability states that for complete sustainability problems to be solved in relation to all four pillars of sustainability and then need be maintained. Although in some cases these may overlap, it is important to identify the specific type of green business to focus on, as the four types present unique characteristics. Businesses need to make a strategic

Sustainability Reporting

A definition of Sustainability Reporting is given by Sustainability Integrated Guidelines for Management (SIGMA). The SIGMA project (2003) defines sustainability accounting as "the generation, analysis and use of monetarised environmental and socially related information in order to improve corporate environmental, social and economic performance". The Nigeria Stock Exchange sustainability guideline is summarized as below

GOVERNANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Core Elements:

1. Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain.
2. Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.

3. Businesses should not engage in practices that are abusive, corrupt, or anti-competitive.

4. Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.

5. Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting recommendations in this document.
6. Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines.

Principle 2: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

Core Elements:

1. Businesses, while pursuing policy advocacy, should ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.
2. To the extent possible, businesses should utilize their trade, commerce and industry chambers and associations, and other such collective platforms to undertake such policy advocacy.

ECONOMIC

Principle 3: Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle.

Core Elements:

1. Businesses should assure safety and optimal resource use over the life-cycle of their product – from design to disposal – and ensure that everyone connected with it- designers, producers, value chain members, customers, consumers and recyclers-are aware of their responsibilities.

2. Businesses should ensure relevant and informative product labelling, appropriate and helpful marketing communication, full details of contents and composition, and promotion of safe usage and disposal of their products and services.
3. In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.

4. Businesses should regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations.
5. Businesses should recognize and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property.
6. Businesses should recognize that over-consumption of resources results in unsustainable exploitation of our planet's resources, and they should therefore promote sustainable consumption, including recycling of resources.

7. Responsible procurement practices which addresses transparency, confidentiality, fairness, child labour, corruption, conflict of interest, support for SME and women owned businesses, forced labour, social responsibility and Health & Safety should be maintained.

Principle 4: Businesses should engage with and provide value to their customers and consumers in a responsible manner.
Core Elements:
1. Businesses, while serving the needs of their customers, should take into account the overall well- being of the customers, consumers, and that of society.
2. Businesses should ensure that they do not restrict customers and consumers' freedom of choice and free competition in any manner while designing, promoting and selling their products.
3. Businesses should disclose all information truthfully and factually, through relevant and informative labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.
4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.
5. Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.
6. Businesses should provide adequate grievance handling mechanisms to address customer and consumer concerns, and feedback.

SOCIAL

Principle 5: Businesses should promote the wellbeing of all employees. Core Elements:

1. Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redress mechanisms.
2. Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, or disability.
3. Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.

4. Businesses should take cognizance of the work-life balance of its employees, especially that of women.

5. Businesses should provide facilities for the wellbeing of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.

6. Businesses should provide a workplace environment that is safe, hygienic humane, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis.
7. Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.

8. Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.

Principle 6: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

Core Elements:

1. Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them.

2. Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product and services, and associated operations on the stakeholders.

3. Businesses should give special attention to stakeholders in areas that are underdeveloped.

4. Businesses should resolve differences with stakeholders in a just, fair and equitable manner.

Principle 7: Businesses should respect and promote human rights.
Core Elements:

1. Businesses should understand the human rights content of the Constitution of the Federal Republic of Nigeria, national laws and policies and the content of the International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature.

2. Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.

3. Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.
4. Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain.

5. Businesses should not be complicit with human rights abuses by a third party.

Principle 8: Businesses should support inclusive growth and equitable development.
Core Elements:

1. Businesses should understand their impact on social and economic development, and respond through appropriate action to minimize the negative impacts.
2. Businesses should innovate and invest in products, technologies and processes that promote
3. Businesses should make efforts to complement and support the development priorities at local and national levels, and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.
4. Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

ENVIRONMENT
Principle 9: Business should respect, protect, and make efforts to restore the environment.
Core Elements:

1. Businesses should utilize natural and manmade resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.

2. Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.
3. Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.
4. Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.

5. Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of their value chain.

6. Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to their stakeholders in a fair and transparent manner.
7. Businesses should proactively persuade and support their value chain to adopt this principle.

Financial Performance
Financial performance is almost a household name among Scholars (Jat, 2006). Good Financial performance is a clear indicator to a layman that an organization is doing well (Aondoakaa,2015). Companies that are doing well strive to maintain good financial standing in terms of profit, cashflow and dividend pay out so that they can continue to be perceived as doing well (Ekwueme, 2011)

Aondoakaa (2015) opined that as popular as the concept of financial performance is, it is also a difficult concept, in terms of definition and measurement. It has been defined as the end result of activity (Epstein, 2008), and the measure selected to measure corporate performance depends on the type of organization being evaluated and the objectives that the evaluator intends to achieve (Jat, 2006)

According to Osuoha. (2001) grouped financial performance into two basic types: those that relate to results (outputs or outcomes such as competitiveness or financial performance) and those that focus on the determinants of the results (inputs such as quality, flexibility, resource utilization, and innovation). This suggests that performance measurement frameworks can be built around the concepts of results and determinants (Aondoakaa, 2015)

According to Alciatore etal. (2004), one of the indicators used to evaluate a firm's performance is financial ratios. Generally, the financial information of a company's business operations will be reported in the yearly financial statements, and a financial ratio simply constitutes one item divided by another in the financial statement. Financial ratios can be viewed as a preliminary reference for the analysis of the business performance. This agrees with Osisioma (1996) assertion that "ratios relate one set of values to another, with the resulting quotient serving as a measure, a standard or a norm by which performance is judged."

Traditionally, the measurement of a firm's performance usually employs the financial ratio method, because it provides a simple description about the firm's financial performance in comparison with previous periods and helps to improve its performance of management. According to Berger and Patti (2002:2) the measures of firm performance are usually ratios fashioned from financial statements or stock market prices, such as industry-adjusted operating margins or stock market returns.

Osuoha (2001) agrees that three main areas will attract the attention of investors in any financial statement analysis i.e profit, cashflow and efficiency. First, is the profit generation which is our concern in this research. Osuoha (2001) position is in tangent with that of Pandey (2004) assertion that "it is assumed that profit maximization causes the efficient allocation of resources under the competitive market conditions, and profit is considered as the most appropriate measure of a firm's performance". Asaolu (2011) supported this position by asserting that profitability is a key indicator in financial performance analysis. Thus, ratios of financial efficiency in this respect focus on the relationship between profit and sales and profit and assets employed. Second, the company's financial performance may be assessed in terms of the value of its shares to investors. In this way, ratios of financial performance focus on earnings per share, dividend yield and price/ earnings ratios.

The ratios used to measure the overall profit performance of a firm are termed profitability ratios. Ratios do not explain themselves as they need to be explained before they can be understood (Osuoha, 2001). Osuoha (2001) explained some ratios that can be used to ascertain profitability. However, due to the limited time for this research, the Researcher has concentrated on the following which form part of the variables for the hypothesis to be tested in this research. The two studied are:

Return on capital employed (ROCE) which the level of profit being generated from the level of asset employed (Osuoha, 2001). It is given by the formula:

- Return on capital employed (**ROCE**) which measures the level of profit being generated from the level of asset employed (Osuoha, 2001).

$$\frac{\text{Net profit(before interest and taxes)}}{\text{Capital employed}}$$

- Net profit margin (**NPM**) which is a measure of how much is being generated from sale after the deduction of all expenses. It is given by the formula:

Net profit(before interest and taxes
Net sales

Empirical Review

The researcher has reviewed some empirical published works on the extent of reporting as well as the impact of sustainability reporting on Financial Performance of Firms. Just as Akinbode (2011) observed, there are so many frameworks on sustainability reporting and Financial performance, yet adequate attention is yet to be paid to them. Hubard (2008) also holds this view.Elkington, J. (2000) researched into sustainability reporting and Corporate Financial performance. The objective of the study was to analyse association between the triple bottom line component (People Planet and Profit) and how possible it is for companies to maintain this balance using seven main drivers: Markets, corporate values, transparency, life cycle technology, partnership with environment, time and corporate governance, the study used spearman Correlation to test the type of association that existed between the Planet, People and the profit being generated by organisations, it was discovered that a significant relationship exists between Sustainability reporting (People consciousness and environmental improvement) and the Profit being generated by organisations. The study recommended that a much more comprehensive approach involving stakeholders and coordinates across many areas of government policy, including tax policy, technology policy, economic development policy, labour policy, security policy, corporate reporting policy and so on will be needed to drive sustainability reporting. This will spark up sustainable development and environmental protection which is a major governance and market challenge in the 21st Century.

Morhardt, Baird and Freeman (2002) opined that the business effects of undertaking environmental and social improvements (and reporting on them) may not be very clear, since casuality is difficult to evaluate. These Researchers were interested in knowing whether environmental and social improvements accounts for the good or bad performance both managerially and Financially. They relied on the work of Hart (1996) who looked at return on sales (ROS), return on assets (ROA) and return on equity (ROE) of 127 large firms in New York Stock Exchange when many companies were actively seeking to decrease their toxic releases. They found that in 1991 and 1992 all three financial variables (ROS, ROA & ROE) were significantly correlated with emissions reductions (ER).

Cormier and Magnan (2003) examined the value attached to sustainability disclosure and how it impacts the financial performance of big companies in Canada. The objective of the study was to analyse the value that Investors and Customers attach to sustainability reporting in the annual reports of Canadian companies and how that perception impact the financial performance of the companies in terms of sales and investments. The study used questionare administered in Canada for the purpose of testing the hypothesis. It was discovered that investors and customers attach a significant value to sustainability disclosure and this value translates to increased total sales (TS), more investment (TI) in the company and also increased profit Margin. (PM).

Tsoutsoura (2004) analysed the relationship between environmental protection activities in the form of Corporate Social responsibility and Financial performance. Corporate Social Responsibility (CSR) was measured using sustainability disclosures targeted at improving social and environmental atmosphere of the company. The study used extensive data over a period of five years, (1996 – 2000). Using multiple regression analysis. The results shows that the sign of relationship between sustainability reporting and Financial performance is positive and statistically significant; supporting the view that sustainability disclosures comes with the benefit of impacting the bottom line positively.

Haddock (2005) evaluates the good will that a company that discloses sustainability enjoys in term of Financial return in the Uk food sector. The study represented sustainability with environmental disclosures (ED) and Social disclosures (SD) while financial performance was represented with Total sales (TS). Using a simple regression analysis, the study found that when a company enages in sustainability reporting, it tends to build its sustainability profile which is more visible to Customers, which in turn will increase the total sales (TS) of the company. In two separate studies the researcher confirms a positive influence of adopting sustainability reporting on Financial performance.

Gallego (2005) examined how certain Spanish firms present their economic, social and environmental information and also verified how they use the indicators according to Global Reporting Initiative (GRI) framework. The sample was drawn from 19 Spanish firms that present economic, social and environmental information according to the GRI framework. The study used content analysis to examine sustainability disclosure by the sampled firms. It was found that there has been an increase and an improvement in the information disclosed by firms on economic, social and environmental concerns due to the perceived benefit they will enjoy in terms of a better financial performance.

Haniffa and Cooke (2005) analyzed the comparability of sustainability performance and financial performance through a systematic review of 12 mining company reports using Global Reporting Initiative (GRI) guidelines. The study analysed data based on 92 GRI indicators. The study also raised serious questions concerning the hypothesis of measurability and comparability of sustainability disclosure and financial performamance. It was discovered that corporate size determines if a company will comply at all with sustainability reporting. In turn, when a company complies with sustainability reporting disclosure, its financial performance automatically improves no matter the size of the organization. Haniffa and Cooke (2005) also argue that sustainability reporting might be used to legitimize corporate activities toward creditors and shareholders, thus providing incentives to engage in sustainability reporting.

Brammer and Pavelin (2006), did not find a significant effect of sustainability reporting which builds corporate reputation and financial performance. Utilizing data on a sample of large firms, the study estimated a model of corporate reputation achieved through sustainability disclosure. The study find reputation, derived from the assessments of managers and market analysts, to be determined by a firm's social performance, financial performance, market risk, the extent of long-term institutional ownership, and the nature of its business activities. Furthermore, the reputational effect of social performance is found to vary both across sectors, and within sectors across the various types of social performance. Specifically, results demonstrate the need to achieve a 'fit' among the types of corporate social performance (sustainability disclosure) undertaken and the return to firm's stakeholder environment. For example, a strong record of sustainability reporting may enhance or damage financial reputation depending on whether the firm's sustainability reporting activities 'fit' with environmental concerns in the eyes of stakeholders. Thus, sustainability reporting may not necessarily impact financial performance, it all depends on how the stakeholders see it.

Llena et al. (2007) analysed annual reports spanning 2001 – 2002 published by 51 large companies in Spain, that are very sensitive to their environmental reporting practices. Their objective was to determine which factors in the analysed firms explain the quantity and characteristics of the environmental information they publish. This was based on the the implementation of the Spanish compulsory accounting standard, issued in March 2002 and how it impacts the environment when compared to the year 1992 and 1994 when sustainability was not made compulsory in Spain. The analysis showed that there was high level of environmental disclosures in the notes to the annual reports and a significant increase for environmental information disclosed in the period between 1992 and 1994. The 51 Spanish companies all disclosed sustainability report to a great extent.

Ngwakwe (2008) established a possible relationship between sustainable business practice and firm financial performance. Using a field survey methodology, a sample of sixty manufacturing companies in Nigeria was studied. An investigation was undertaken into the possible relationship between firm performance and three selected indicators of sustainable business practice: employee health and safety (EHS), waste management (WM), and community development (CD). This study revealed that the sustainable practices of the firms are significantly related with firm financial performance. The paper concludes that, within the Nigerian setting at least, sustainability affects corporate financial performance significantly.

Haddock and Fraser (2008) explored the impact of keeping silence on sustainability disclosure on an organization's financial performance. The study documented processes associated with the adoption of corporate sustainability communication in a business-to-business context. It combined action research and sensemaking approach to document moments before a company kicks off external sustainability communication. An interview approach was adopted and organisation members were cross interviewed to air their view in a processual manner. It was found that corporate silence on sustainability disclosure can only be interupted by commencing communications that cause moments of sudden realisation for organisational members, eventually leading to the initiation of sensemaking processes inside the organization which will attract both old and new stakeholders. Once this happens, the possibility of externally communicating sustainability capable of impacting the financial performance of an organization is certain. Similarly, Corporate silence means lower corporate financial performance. Haddock and Fraser (2008) show that the extent of profit generation depends on a company's closeness to market via sustainability disclosure.

Quick (2008) evaluates Twenty-six reports from companies listed on the DAX30 and the MDAX so as to ascertain the quality of German sustainability reporting using GRI guidelines as a benchmark for developing and applying a scoring model. A scoring model was constructed containing two parts of sustainability reporting in line with GRI framework. In total, one hundred and five criteria were identified, which define the quality of sustainability reporting. It was found that social and environmental reports scored an average of about 40% while economic report scored only 14%. This shows a low sustainability reporting among the listed firms during the period. The study also found a weak positive correlation between the financial performance of the companies and sustainability reporting. The study recommended the need for a standard to be developed around sustainability reporting and the need to regularly audit sustainability reporting in organisations.

Stanny and Ely (2008) examined how a high level of indebtedness, leverage, or gearing in a big company impacts sustainability reporting and the financial performance of the company. The study carried out this analysis by correlating equity to Debt ratio with the Net profit Margin of the organization. They discovered that debt could decrease the ability and flexibility of a company to bear the costs of reporting sustainability, and this usually have a damaging effect on the profitability of such organisations as investors and customers will see them as not sustainable and as such withdraw from them. This often leads to decreased profitability. Thus, Corporate size in terms of debt level has a negative impact on financial performance.

Vormedal and Ruud (2009) finds a country-of-origin-influence on sustainability reporting quality and financial performance. After examining some companies in Srilanka and comparing them with a company of same size in United Kingdom concluded that the companies in UK complied more with sustainability reporting compared to the ones in Srilanka because the EU companies were motivated by the new European Union Directive 2014/95 on non-financial and diversity information while companies in Srilanka has no such directive to motivate them.

In terms of legal requirements, Denmark, Norway, and Sweden, for example, all require companies to report on environmental impacts (Hess & Dunfee, 2007) while French and British regulation requires certain companies to report on sustainability-related information (Brown et al., 2009b).

Despite this legal pressure, only a few studies empirically examined the development of sustainability reporting in response to regulation (mostly concentrating on environmental disclosure). These few Scholars confirm an increase financial performance as a result of sustainability reporting following tightened regulation (e.g., Acerete et al., 2011; Criado-Jiménez et al., 2008 for Spain, Alciatore et al., 2004 for the US, Bubna-Litic, 2008, and Frost, 2007 for Australia).

Prado-Lorenzo Etal. (2009) also discovered a negative relationship between corporate size and financial performance. They examined different factors behind the disclosure of corporate information on issues related to greenhouse gas emissions and climate change world-wide. The empirical analysis carried out was performed in two stages: analysis of the data obtained through content analysis and analysis of the factors that influence the disclosure of greenhouse gas emissions and climate change using a dependency model, a multiple linear regression. Several variables were introduced to represent the size of the companies, leverage, return on assets (ROA), return on equity (ROE) and Market-to-Book ratio, An inverse relationship between ROE and disclosure is detected. This is a complete deviation from other scholars who believe that corporate size impact Financial performance positively, as there is always a value which accrues to the company for complying with sustainability reporting no matter the size of the company.

Olawale (2010). The focus of the study was to determine the impact of Corporate Social Responsibility on the profitability of the Nigerian banking sector using First bank as a case study. The Researcher used the Pearson product moment correlation to establish and test the hypothesis: The researcher concluded that Corporate Social Responsibility has a significant impact on the profitability of First Bank plc. The result of the hypothesis confirms that there is a positive relationship between Corporate Social Responsibility (a component of sustainability reporting) and profitability. Olawale (2010) argues that when a company complies with sustainability reporting, it is bound to see the impact on its profitability not withstanding the country of origin of the company.

Asaolu etal, (2011) researched the relationship between corporate social responsibility and Financial performance of Oil and Gas companies in Nigeria and discovered that there is a positive significant relationship between Corporate Social responsibility and Return on Capital Employed Groves etal. (2011) also examined the impact of corporate visibility on Financial performance of an organization. Groves etal. (2011) opined that apart from media exposure, direct interaction with consumers may lead to high corporate visibility. This was discovered after they examined two entities (one corporate visible and one corporate invisible) using simple performance comparability approach. These two companies in Durham were artistic companies. The former attracted more artistes and retained more curators than the later since they were all over the media while the other could not retain its artistes and curators thereby losing profits to the one that appears more in the media. It was concluded that companies that are more visible and sector affiliated will have their financial performance impacted positively.

Belal and Cooper (2011) examined how adopting social and environmental disclosure such as green gas emission impacts the annual sales of the company. It was found that companies with newer manufacturing machines with less pollution made more sales during the year compared to companies with older machines which caused more pollution in the environment. In conclusion, the study found a significant association between sustainability reporting and Financial performance.

Nikolaeva and Bicho (2011), however, do not find an association between brand visibility and adoption of sustainability reporting on financial performance using GRI guidelines. Duke II & Kankpang (2013) ascertained the effect of corporate social responsibility activities on the financial performance of firms operating in industries that have the greatest impact on the Nigeria environment. Using multiple regression analysis, they discovered that waste management (WM), pollution abatement (PA) are both significantly and positively and significantly associated with firm performance (both ROCE and ROE).

Fortanier et al., (2011) analysed what impact Corporate size (measured by total assets) has on Financial performance (measured by ROE) using simple correlation. It was discovered that large corporate organisations have the full capacity to adopt sustainability reporting and as such could improve their financial performance by wielding greater influence in the mind of buyers. Conclusively, it was discovered that Corporate size has a significant impact on Financial performance.
Gallo and Jones Christensen (2011) studied how the number of employees and market capitalization impacts the Return on asset and Return on Equity using spearman correlation. They discovered that the number of employees an organization has impacts positively on the return it generates from its asset. In addition to this, they also discovered that market capitalization of an organization can influence its return on Equity to a great extent.

Munasinghe and Kumara (2013) researched the relationship between Corporate Social Responsibility (CSR) and financial performance of organisations in India to see what motivates firms to voluntary initiate CSR activities. Using Spearman's rank-order correlation they found out that Return on Equity (NPM) and Return on Assets (ROA) were positively correlated and significant relationship exists.

Aggarwal (2013) ascertained whether sustainable (Social and environmental friendly) companies are more profitable. Using regression analysis. he established that increased environmental disclosures such as accidents, pollution and social care have significant but varying impact on financial performance (Net profit Margin and Return on Equity). According to Agarwal (2013), being sustainable comes with several reactions from Stakeholders. These stakeholders will either respond to sustainability in a positive or in a negative way. Some Investors believe that being sustainable is costlier and could deplete their return whereas others believe you can increase returns by being sustainable. Conclusively, a greater number of respondents were in agreement that social and environmental disclosure could boost financial performance.

Makori and Jagongo (2013). The researcher here investigated into whether there is any significant relationship between environmental accounting and profitability of selected firms listed in India stock exchange. Using multiple regression analysis they found that there is significant negative relationship between Environmental Accounting and Return on Capital Employed (ROCE) and Earnings per Share (EPS) and a significant positive relationship between Environmental Accounting and Net Profit Margin and Dividend per Share.

Aondoakaa (2015) examined the impact of sustainability reporting on financial performance of companies listed in Nigeria Stock exchange in his Doctoral thesis. The Researcher found a positive impact between sustainability reporting and financial performance (NPM) of companies. In concluding his research he opined that many companies in Nigeria are yet to come to terms with sustainability reporting in Nigeria because there are no much enlightenment on the subject and that this is due to the uniqueness of the Nigeria environment. This implies that Nigeria as a country impact reporting of companies. Where there are rules and penalties for non-compliance, many companies will comply and will have their financial performance improved.

Puneeta and Rupali (2020) also examined the extent of sustainability reporting in five Asian economies. The objective of the paper is to assess and compare the extent and informativeness of sustainability reports per GRI G4 indicators in five economies (India, Japan, Hong Kong, Singapore and Philippines). The study used specific standard disclosures relating to six aspect of sustainability reporting as per GRI G4 indicators. The study found that though sustainability reporting is gaining a lot of grounds, the extent of reporting as per GRI G4 guideline is still very low in all the economies used an that there is significant difference in reporting by selected countries. The study also found that there is no significant impact of sustainability on ROS and ROA. The study recommended that sustainability reporting must be made compulsory with a penalty clause enshrined in the law so as to make compliance effective.

Okwuosa and Adeshina (2021) examined the quality of sustainability disclosure by listed companies in Nigeria. The study analysed the annual reports of 24 most capitalized firms using content analysis. They attached scores to each sustainability disclosure using the Nigeria Stock Exchange (NSE) sustainability reporting Indicators. The study found that the overall quality of sustainability disclosure is low among firms listed in Nigeria Stock Exchange as the average score for each of the listed firm was 8.13%. The study recommended that Corporate Reporting Regulators in Nigeria should make sustainability reporting compulsory and a strict sanction should be attached to non compliance. The study concluded by advising that the current NSE guideline on sustainability should be made to accord with international framework.

Conclusively, while some Scholars acknowledge positive impact of sustainability on Financial performance (Gallo &Jones Christensen (2011), Bammer & Pavelin (2006), Haddock (2008), Kent & Monem (2008), Clarkson etal.,(2011) and Fortanier etal.,(2011)) others acknowledge negative relationship (Nikolaeva & Bicho (2011) and Prado-Lorenzo Etal., (2009)). This shows the variety of literature. It is the view of the researcher that a positive relationship exists between sustainability reporting compliance and financial performance. This is due to the fact that sustainable companies will keep enjoying Customers and Stakeholders loyalty which will translate to greater profitability in both the long run and short run.

Summary of Literature review

Sustainability Reporting is an integral report which explains off how a company has impacted its social, environmental, economical and Governance landscape in any given country (NSE, 2016)
Financial performance is a concept which is tied to how a company has fared over a period of time (Ekwueme, 2010). Financial performance is measured using Financial reporting systems embedded in the preparation of financial statement, an analysis of the numbers reported. Financial performance measures form the basis for performance measurement. The most popular way to measure firm's performance is financial ratios. They are used to compare one number over another to indicate how strong or weak the ratio has fared in a particular period.

Sustainability Reporting is not an end but a means to an end (Aondoakaa, 2015). Sustainability provide stakeholders with information on how economical, socially, and environmentally a business has performed. There are guidelines for Sustainability Reporting ranging from Sustainability Reporting guideline developed by Global Reporting Initiative (GRI). The GRI guidelines are the world most widely used Sustainability Reporting guidelines which are used to benchmark organizational performance with respect to norms (Aondoakaa, 2015). Others include the SIGMA, Nigeria Stock Exchange Commission sustainability guidelines on which this study is anchored etc. Stakeholders have varying expectations from every business. All stakeholders have rights that must be catered for by management. This include but not limited to the right of being provided with information about how the company is affecting on their immediate environment. Sustainability Reporting makes this possible by ensuring that Companies manage the business for the benefits of all the stakeholders involved.

Legitimacy theory also opines that organizations should operate based on the rules of their immediate environment, failure to do this may make the business unsustainable in the long run. Thus, a company needs to maintain its existence by always disclosing adequate information to stakeholders about its impact on the environment This is the only way to prove how socially, environmentally and economically responsible they are.

All empirical literatures reviewed on the impact of Sustainability Reporting on Financial performance shows how opinion of Scholars vary. While some of the researcher concluded on a positive impact, others concluded on a negative impact. While some researchers also were inconclusive as to whether there is any relationship at all. This further highlights the gap which called for this research.

Gaps to fill in Literature

No single literature studied the extent of compliance to the NSE guideline until year 2021. Only Okwuosa and Adesina (2021) examined the extent of compliance to the NSE guidelines but did not study further to examine how sustainability compliance has impacted financial performance. This is a gap in literature begging to be filled. This study will fill that gap as it will show us the extent of compliance to the NSE sustainability guidelines by Companies listed on the Nigeria Stock and how compliance with Sustainability reporting actually impact profitability. Scholars have been asking the question wanting to know if there is any benefit that accrues to complying with Sustainability requirements. This work states clearly how the financial performance of companies will be impacted if they comply with sustainability requirement. Lastly, another gap in literature is that Scholars have concentrated on using GRI as parameter for measuring sustainability standard. This works brings focuses on the Sustainability Requirement of Nigeria as issued by Nigeria Stock Exchange (NSE). This will be the second work (The first being Okwuosa and Adesina (2021)) that uses Nigeria Stock Exchange Sustainability guideline for measuring Sustainability compliance.

METHODOLOGY

Restatement of research Questions

The following research questions will be answered during this research:

(i) What is the extent of compliance by selected listed companies in Nigeria Stock Exchange with the Nigeria Stock Exchange Disclosure Guidelines using simple disclosure Index

(ii) How does Sustainability Reporting compliance (SRC) impact on the Profitability (NPM) of companies listed on the Nigerian Stock Exchange.

(iii) How does Sustainability Reporting compliance (SRC) impact on the Profitability (ROCE) of companies listed on the Nigerian Stock Exchange.

Restatement of Research Hypotheses

The following are the hypotheses of the study:

(i) **Ho** there is no significant compliance with the NSE sustainability Disclosure Guidelines

H1 there is a significant compliance with the NSE sustainability disclosure guidelines

(ii) **Ho** There is no significant association between compliance with the NSE disclosure guidelines and Net Profit Margin (NPM) of listed companies in Nigeria.

H1 There is a significant association between compliance with the NSE disclosure guidelines (SRC) and Net Profit Margin of listed companies in Nigeria.

(iii) **Ho** There is no significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria.

H1 There is a significant association between compliance with the NSE disclosure guidelines (SRC) and Return On Capital Employed (ROCE) of listed companies in Nigeria.

Research Design

The Researcher adopted expost –facto research design in this study. According to Ekwueme (2011) expost –facto research design is used to research on an event which has happened and was recorded for information purpose. Examining the relationship between sustainability reporting and the financial performance of companies listed in the Nigeria stock exchange is based on past event as such expost-facto research design is appropriate. Other research designs can be used but due to limited time frame, the researcher could not adopt other research designs. However, the Researcher has recommended the adoption of other research designs for future research to enrich Scholarship.

Population of the study

The data used covers a period of 10 years drawn from the annual reports of listed companies There were 161 members in the Nigeria stock exchange as at 31st December 2020. The choice of the firms was based on the ones that have included sustainable reports in their annual reports between 2010 to 2020. This comprises 161 companies as per the NSE fact book 2020.

Since sustainability reporting is not yet compulsory for all members of the NSE, the Researcher concentrated on Multinational companies and few local Companies that have embraced Sustainability Reporting and are currently integrating sustainability information in their annual reports.

Sampling Techniques and sample size

From the 80 listed companies on Nigeria Stock Exchange after backing out all Financial Institutions, a sample for this study is selected using the Slovin's formula below:

$$n = \frac{N}{1 + N(e)^2}$$

where;

n = number of samples drawn

N = Total Population size

e= Error tolerance level

Given a population of 80 after backing out all listed financial institutions, the researcher assumes a margin of error of 5% and a confidence level of 95%. Therefore, a sample of 57 Companies were drawn using the formular stated

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$$n = \frac{80}{1 + 80(.05)^2}$$

$$n = \frac{80}{1.4025} = 57$$

From the above calculation the Researcher sampled 57 companies. These 57 companies were randomly selected based on the availability of sustainable report in their annual reports. The researcher backed out all Financial Institution since they have their own separate sustainability Guideline (Nigeria Sustainable Banking Principles) being enforced by the CBN

Sources of Data

The researcher used secondary data. The sources of data include annual reports and accounts of companies in the Nigeria Stock Exchange Fact Book. Other sources include textbooks, academic journals, internet, conferences report, My experience as a Compliance Manager in a Multinational Company etc.

Data Collection instrument

Data was collected from annual reports published in the NSE fact book using Excel. The annual reports were reviewed, and all relevant data were extracted and populated on Excel for necessary calculations. All data used are all purely secondary. According to Ndukwe, (2009), annual reports are generally considered by management and owners of the company to be the best source of information on the activities of any organization at any point in time. Top Managers of companies consider annual reports as a key medium of communicating the company's performance (Rudigar and Kuhnen, 2013).

Instrument Validation and Reliability

The data collected were validated using a second opinion. I.e allowing another Researcher recalculate the financial values extracted from the NSE factbook to ensure accuracy and reliability. Also, another set of people were engaged to also analyse the sustainability disclosures again, aside what the Researcher has done. The Crombatch Alpha Test was also used to ascertain the reliability of the data on a scientific basis. The problem of independence of the error terms were tested using Durbin-Watson statistics which shows that, there is positive autocorrelation between the residuals of the data used in this study. This further shows that, the statistic obtained is accurate and reliable. This is also in line with Asaolu (2011).

Method of data Analysis

This study adopts a panel data analysis, the descriptive statistics and correlation matrix are conducted. Panel ordinary Least Square (OLS) regression analysis was utilized. Both Simple

Vol.10, No. 5, pp.25-73, 2022

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Disclosure Index (SDI) and Least Square Method was adopted to analyse the data obtained. The researcher adopts a simple disclosure index (SDI) to test the first hypothesis. This is done by scoring each company in the sample selected between 0% to 100% for the numbers of Sustainability factors (Environmental, Social and Economic Factors based on the Nigeria Stock exchange sustainability guideline (see Appendix 2)) disclosed in their Annual reports. A simple formula (obtained scores divided by obtainable score multiplied by 100%) gives the score for each of the sustainability Reporting Compliance (SRC) Indicators. The researcher adopts the Least square Method to test the second Hypothesis. Net Profit Margin (NPM) is regressed against the Sustainability Reporting Compliance (SRC) to ascertain if a positive or a negative relationship exists between Net profit Margin (NPM) and Sustainability Reporting Compliance (SRC). The statistical technique employed in analysing the data is the panel data analysis. E-view 10 was utilised in analysing the data.

It is worthy of note to mention that the NSE sustainability guideline has four components i.e Economic, Social Governance and Environmental (ESGN) as against the three bottomline factors of economic, social and environmental components (ESN). The researcher has treated all the indicators including Governance, as part of what is expected of any sustainable company in Nigeria.

Table1: Summary of variable selection

SUMMARY OF VARIABLE SELECTION		
VARIABLE	**DEFINITION**	**MEASUREMENT**
Dependent		
NPM	Net Profit Margin	Net Profit/Revenue
ROCE	Return On Capital Employed	Net Profit/ Capital Employed
Independent		
ECM	Economic	Code 1 if economic sustainability report is included in annual report
EVM	Environmental	Code 1 if Environmental sustainability report is included in annual report
SOC	Social	Code 1 if Social sustainability report is included in annual report
SRC	Sustainability Reporting Compliance	Average of (ECM+EVM+SOC)

SOURCE: Authors construction on excel

Model description and Justification

To ensure adequate observation for statistical testing, this study adopts a panel data analysis, the descriptive statistics and correlation matrix are conducted. Panel ordinary Least Square (OLS) regression analysis which examines the relationship between a dependent variable and independent

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Vol.10, No. 5, pp.25-73, 2022
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variables was conducted for the respective variables and hypotheses.

$Y = b_0+b_1X_1+E$
Where:
Y is the dependent variable which describes Financial performance indicators i.e Net Profit Margin (NPM)
X is the independent variables which represent the components of Sustainability Reporting Compliance;
E is the error term capturing other explanatory variables not explicitly included in the model. b_o is the intercept of the regression and b_1 is the coefficient of the regression.
The independent variables were measured by Simple Disclosure Index based on performance selected from Nigeria Stock exchange guidelines as applied in Okwuosa and Adesina (2021). The economic, environmental, governance and social disclosure is calculated based on the number of indicators that are disclosed using a simple formula (Obtained score divided by obtainable score multiplied by 100%)

The following abbreviations are therefore selected to denote their respective variables in the model.
NPM = Net Profit Margin, SRC = Sustainability Reporting Compliance (this comprises the Environmental (EVM), Social (SOC) Governance (GOV) and Economic (ECM) disclosures in the annual report
The result of the Simple Disclosure Index addresses our first hypothesis which states:
(i) **Ho** there is no significant compliance with the NSE sustainability Disclosure Guidelines
H1 there is a significant compliance with the NSE sustainability disclosure guidelines
.
For the second hypothesis which states:

(ii) **Ho** There is no significant association between compliance with the NSE disclosure guidelines and Net Profit Margin (NPM) of listed companies in Nigeria.
H1 There is a significant association between compliance with the NSE disclosure guidelines (SRC) and Net Profit Margin of listed companies in Nigeria.

Operationalizing the above
$NPM_{it} = \beta_0 + \beta_1 SRC_{it} + \varepsilon$ -- (Model 1)

$NPM_{it} = \beta_0 + \beta_1 ECM_{it} + \beta_2 EVM_{it} + \beta_3 SOC_{it} + \beta_4 GOV_{it} + \varepsilon$ ------ (Model 2)

For the third hypothesis which states:

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(iii) **Ho** There is no significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria.
(iv) **H1** There is a significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria

Operationalizing the above
$ROCE_{it} = \beta_0 + \beta_1 SRC_{it} + \varepsilon$ -- (Model 3)

$ROCE_{it} = \beta_0 + \beta_1 ECM_{it} + \beta_2 EVM_{it} + \beta_3 SOC_{it} + \beta_4 GOV_{it} + \varepsilon$ ------ (Model 4)

Validity test

The accuracy of the regression analysis above was tested using Significant F change to cater for multicolianearity. The problems of independence of the error terms were tested using Durbin-Watson statistics.

Limitation of the methodology

The main limitation to this research is the fact that secondary information obtained was not discussed by any focus groups and was not linked in any way to structured observation. In addition to this, there was limits to generalization in the sense that it was difficult to generalize the output of one company to the other companies. Lastly, there was limit to the geographical coverage of the samples selected. The study focused on Companies listed in Nigeria Stock Exchange. There are several companies who are also doing well in the area of sustainability but are clearly excluded from this research automatically because of the focuss on NSE members.

Ethical Considerations

Lots of ethical consideration was given to this research. Given that the subject of study itself has people in focus, No one's privacy was intruded. The researcher ensured that in reviewing the performance, there was no conflict of interest. i.e preferring one company to another. The researcher understands the provision of the Data protection act and ensured that information obtained for the purpose of this research is only used for the purpose of this research only. Lastly, the Researcher placed a level of trust on the Annual reports of the companies analysed.

Data Presentation and Analysis

In this study, Sustainability Reporting and financial performance of selected companies listed in the Nigeria Stock Exchange (NSE) for the period covering 2010 to 2020 is investigated. This study uses 57 quoted companies audited annual financial report between 2010 and 2020. To ensure adequate observation for statistical testing, this study adopts a panel data analysis, the descriptive statistics and correlation matrix are conducted. Panel ordinary Least Square (OLS) regression analysis was conducted. Added to the above, the variable for this study include net profit margin (NPM), return on capital employed (ROCE), Sustainability Reporting Compliance (SRC) Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) disclosures in the annual report

Descriptive Statistics Of Sustainability And Financial Performance
The table below shows the descriptive statistics of sustainability indices SRC, ROCE and NPM. Below is the result obtained:

Table 1: Summary of Descriptive Statistics

	NPM	ROCE	SRC	ECM	EVM	GOV	SOC
Mean	0.461389	0.049529	0.748737	0.743534	0.746452	0.758135	0.746608
Median	0.072500	0.075000	0.761875	0.780000	0.780000	0.800000	0.780000
Maximum	19.99100	1.220600	1.142500	2.170000	2.170000	0.990000	0.990000
Minimum	-4.253200	-1.447400	0.500000	0.500000	0.500000	0.500000	0.000000
Std. Dev.	2.232681	0.312305	0.098762	0.139554	0.139064	0.122535	0.131804
Skewness	6.416214	-1.811972	-0.506448	1.162606	1.173695	-0.826268	-1.177162
Kurtosis	50.66964	12.49074	3.767735	19.49759	19.61738	2.950619	5.450980
Jarque-Bera	63262.17	2679.086	41.93245	7205.436	7311.101	70.95226	299.8225
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	623	623	623	623	623	623	623

Source: Eviews output

The descriptive statistics indicated that the mean values of variables (NPM, ROCE, SRC, ECM, EVM, GOV and SOC) were 0.461389, 0.049529, 0.748737, 0.743534, 0.746452, 0.758135 and 0.746608 respectively, for NPM, ROCE, SRC, ECM, EVM, GOV and SOC.

The maximum values of the variables between the study periods were 19.99100, 1.220600, 1.142500, 2.170000, 2.170000, 0.990000 and 0.99000 for the NPM, ROCE, SRC, ECM, EVM, GOV and SOC, respectively. The standard deviations for each variable indicated that data were widely spread around their respective means. Generally skewness measures the symmetry of the distribution and explains whether the mean is at the center of the distribution with a skewness value 0 if considered normal. Therefore negative value indicates a skew to the left (left tail is longer that the right tail) and a positive values indicates a skew to the right (right tail is longer than the left one. The descriptive statistics from Table 1 revealed that the variables were all asymmetrical. In this study, I found all variable (NPM, ECM, EVM) to be positively skewed, meaning that their right tails are longer than their left ones while variables (ROCE, SRC, GOV and SOC) were negatively skewed .

In this study, the study also conducted statistical analysis to ascertain the characteristics of the location and variability of the various sources of the secondary data and to determine the extent to which the data was peaked. The study used the Kurtosis as a statistical measure to ascertain the extent to which the data was peaked or flat in relation to the normality of the distribution. A normal distribution has a value of 3. A kurtosis >3 indicates a sharp peak with heavy tails closer to the mean (leptokurtic). A kurtosis < 3 indicates the opposite a flat top (platykurtic). Looking at the results shown in Table 1, the distributions of variables were leptokurtic and the p-value of the Jarque-Bera test statistic for all variables were lesser that the 0.05 critical values. The statistical implication of the Jarque Bera test statistic is that the null hypothesis was rejected and the alternative hypothesis was accepted since the residuals were normally distributed.

Correlation coefficient

In Table 2 and 3 we focus on the correlation between net profit margin (NPM), return on capital employed (ROCE), Sustainability Reporting Compliance (SRC) Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) disclosures in the annual report. In statistics, the correlation coefficient r measures the strength and direction of a linear relationship between two variables on a scatterplot. The value of r is always between +1 and –1.

Table 2 Correlation Matrix

	NPM	SRC	ECM	EVM	SOC	GOV
NPM	1.000000					
SRC	0.105417	1.000000				
ECM	0.083806	0.728792	1.000000			
EVM	0.073337	0.769573	0.458878	1.000000		
SOC	0.060572	0.800775	0.404685	0.503514	1.000000	
GOV	0.096260	0.658911	0.254878	0.283969	0.473996	1.000000

Source: Eviews output

Correlation analysis results in table 2 show that there is a positive correlation between Sustainability Reporting Compliance (SRC) and net profit margin (NPM) (r = 0.105417). Findings in table 2 also reveal that there is a positive relationship between Environmental (EVM) and net profit margin (NPM) (r = 0.083806).

The correlation between Economic (ECM) and net profit margin (NPM) is positive (r= 0.073337). Results in table 2, indicate that there was a positive correlation between Social (SOC) and net profit margin (NPM) (r= 0.060572). Further, the correlation between Governance (GOV) and net profit margin (NPM) (r = 0.096260). The implication of this correlation result is that Sustainability Reporting Compliance (SRC) Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) are positively associated with net profit margin (NPM).

Table 3 Correlation Matrix

	ROCE	SRC	EVM	ECM	SOC	GOV
ROCE	1.000000					
SRC	0.038722	1.000000				
EVM	0.004773	0.770109	1.000000			
ECN	0.050239	0.729473	0.460005	1.000000		
SOC	0.023406	0.801280	0.504583	0.405992	1.000000	
GOV	0.036437	0.659822	0.285478	0.256474	0.475161	1.000000

Source: Eviews output

Correlation analysis results in table 3 show that there is a positive correlation between Sustainability Reporting Compliance (SRC) and return on capital employed (ROCE) (r = 0.038722). Findings in table 2 also reveal that there is a positive relationship between Environmental (EVM) and return on capital employed (ROCE) (r = 0.038722).
The correlation between Economic (ECM) and net profit margin (NPM) is positive (r= 0.050239). Results in table 2, indicate that there was a positive correlation between Social (SOC) and return on capital employed (ROCE) (r= 0.023406). Further, the correlation between Governance (GOV) and return on capital employed (ROCE) (r = 0.036437). The implication of this correlation result is that Sustainability Reporting Compliance (SRC) Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) are positively associated with return on capital employed (ROCE).

Hypothesis1 test result

(i) **Ho** there is no significant compliance with the NSE sustainability Disclosure Guidelines
H1 there is a significant compliance with the NSE sustainability disclosure guidelines
The researcher used a simple disclosure index to test this hypothesis.

Decision Rule

The decision rule is to reject the null hypothesis if 60% of the sample tested disclosed Sustainability Report in line with Nigeria Stock Exchange (NSE) Sustainability Guidelines.
The Simple disclosure index arrived after reviewing the Annual reports of companies is as follows:

Table2: Analysis showing summary of overall score for sustainability reporting for 57 companies sampled

DESCRIPTION	ECM	EVM	SOC	GOV	SRC
TOTAL	466.45	468.27	468.37	475.55	469.70
OVERALL NUMBER OF DATA	627.00	627.00	627.00	627.00	627.00
OVERALL SCORE	0.74	0.75	0.75	0.76	0.75
IN PERCENTAGE FORM	**74%**	**75%**	**75%**	**76%**	**75%**

Source: Author's computation

From the above. Overall score for Economic (ECM) compliance indicator is 74%, Environmental (EVM) indicator is 75%, the Social (SOC) indicator is 75%, the Governance (GOV) indicator is 76%. The Sustainability Reporting compliance (SRC) indicator shows 75%. From the analysis of the company, no company scored zero in any of the indicators.This answers our first hypothesis. As it confirms that all the companies in the sample selected all complied with Sustainability reporting standard in line with Nigeria Stock Exchange (NSE) guidelines from 2010 to 2020.

Decision

From the above, Sustainability Reporting Compliance (SRC) for companies sampled shows 75%. This indicates clearly that there is a significant compliance with the NSE sustainability disclosure guidelines by listed companies in Nigeria. The null hypothesis is hereby rejected while the alternate hypothesis is hereby accepted. This result is in compliance with the result obtained by Aondoakaa (2015), Ndukwe (2009) and Nnamani etal.(2017) who all agreed that listed companies in Nigeria have significantly complied with sustainability reporting. However, the result contradicts Okwuosa and Adesina (2021).

Following from the above, it is very clear that companies listed on the Nigeria Stock exchange are now in compliance with sustainability reporting. Given that all 57 companies tested all disclosed their sustainability activities means it is gradually becoming a norm.

Hypothesis 2 Test Results

(i) **Ho** There is no significant association between compliance with the NSE sustainability disclosure guidelines and Net Profit Margin (NPM) of listed companies in Nigeria.

H1 There is a significant association between compliance with the NSE disclosure guidelines (SRC) and Net Profit Margin of listed companies in Nigeria.

Decision Rule

The decision rule is to reject the null hypothesis if calculated t-value is greater than the tabulated t - value.

In order to ascertain association between compliance with the NSE sustainability disclosure guidelines and Net Profit Margin (NPM), the Researcher regressed the NPM against the three components of SRC. The model formulated earlier is tested using the panel regression based on fixed and random effect model. In order to determine which of the two models should be preferred (i.e. whether the Fixed Effects or the Random Effects Model), the following hypothesis was investigated:

H0: Random Effects (RE) Model
H1: Fixed Effects (FE) Model
Note that the chosen alpha (**α**) at 5% significant level is 0.05

Model 1
$NPM_{it} = \beta_0 + \beta_1 SRC_{it} + \varepsilon$

Table 4 Correlated Random Effects - Hausman Test

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		1.746934	1	0.1863
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
SRC	2.996707	2.484531	0.150163	0.1863

Source: Eviews output
Table 4 shows the Hausman test result with the p-value of 0.1863 which is greater than the acceptable 0.05 level of significance. Thus, the null hypothesis that random effect is suitable for this model is accepted. Indicating the model should be estimated using random effect, thus random effect was used and Table 5 shows the result of the regression estimate

Table 5 Random effect regression for model 1

Cross-section random effects test equation:				
Dependent Variable: NPM				
Method: Panel Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.782851	0.744061	-2.396109	0.0169
SRC	2.996707	0.986684	3.037149	0.0025
	Effects Specification			
R-squared	0.120706	Mean dependent var		0.461163
Adjusted R-squared	0.032156	S.D. dependent var		2.230895
F-statistic	7.363131	Durbin-Watson stat		2.351476
Prob(F-statistic)	0.044985			

Source: Eviews output

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Interpretation and discussion of result

From the panel least square results shown in Table 5 above, coefficient of determination (R^2) for the model is 0.120706 indicating the strength of the explanatory variables to explain changes/variations that take place in the dependent variable. It implies that, the explanatory variables explain or account for 12.1 percent of variation in the dependent variable. That is, 12.1% of the variations in net profit margin (NPM) are explained by Sustainability Reporting Compliance (SRC). In other words, about 87.9 percent of variation in the dependent variable is caused by other factors not included in the model. In line with the output of the analysis, the model will appear with its estimates as follows:

$NPM_{it} = -1.782851 + 2.996707SRC_{it} + \varepsilon$

The coefficient of Sustainability Reporting Compliance (SRC) assumes a positive and statistically significant value. This implies that one percentage point rise in Sustainability Reporting Compliance (SRC) increases net profit margin (NPM) by 2.996707percent.

The robustness of this result is further buttressed by an F-statistic of 7.363131 while the Durbin-Watson statistic of 2.351476 clearly indicates that there is no effect of serial correlation among the variables used in the study. With the Probability of F-statistic of 0.044985, it is significant enough to conclude that the model has performed well.

Model 2

$NPM_{it} = \beta_0 + \beta_1 ECM_{it} + \beta_2 EVM_{it} + \beta_3 SOC_{it} + \beta_4 GOV_{it} + \varepsilon$

Table 8 Correlated Random Effects - Hausman Test

Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		2.203737	4	0.6983
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
ECM	1.052147	0.907794	0.098989	0.6464
EVM	0.684962	0.567513	0.099509	0.7097
SOC	0.057193	-0.219703	0.118246	0.4207
GOV	1.356694	1.450097	0.137974	0.8015

Source: Eviews output

Table 8 shows the Hausman test result with the p-value of 0.6983 which is greater than the acceptable 0.05 level of significance. Thus, the null hypothesis that random effect is suitable for this model is accepted. Indicating the model should be estimated using random effect, thus random effect was used and Table 9 shows the result of the regression estimate

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Table 9 Cross-section random effects test equation

Cross-section random effects test equation:				
Dependent Variable: NPM				
Method: Panel Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.903468	0.765464	-2.486685	0.0132
ECM	1.052147	0.810856	1.297576	0.1950
EVM	0.684962	0.851616	0.804309	0.4216
SOC	0.057193	0.941061	0.060775	0.9516
GOV	1.356694	0.917980	1.477913	0.1400
	Effects Specification			
R-squared	0.321979	Mean dependent var		0.461389
Adjusted R-squared	0.278241	S.D. dependent var		2.232681
F-statistic	8.601269	Durbin-Watson stat		2.356167
Prob(F-statistic)	0.020753			

Source: Eviews output

Interpretation and discussion of result

From the panel least square results shown in Table 7 above, coefficient of determination (R^2) for the model is 0.278241 indicating the strength of the explanatory variables to explain changes/variations that take place in the dependent variable. It implies that, the explanatory variables explain or account for 27.8 percent of variation in the dependent variable. That is, 27.8% of the variations in net profit margin (NPM) are explained by Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM). In other words, about 72.2 percent of variation in the dependent variable is caused by other factors not included in the model. In line with the output of the analysis, the model will appear with its estimates as follows:

$NPM_{it} = -1.903468 + 1.052147ECM_{it} + 0.684962EVM_{it} + 0.057193SOC_{it} + 1.356694GOV_{it} + \varepsilon$

The coefficient of Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) assumes a positive value. This implies that one percentage point rise in Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) Net Profit Margine (NPM) by 1.052147 percent, 0.684962 percent, 0.057193 percent and 1.356694 percent respectively.

The robustness of this result is further buttressed by an F-statistic of 8.601269 while the Durbin-Watson statistic of 2.356167 clearly indicates that there is no effect of serial correlation among the variables used in the study. With the Probability of F-statistic of 0.020753, it is significant enough to conclude that the model has performed well.

Decision

The regression results on table 5 show a positive coefficient (2.996707) between Sustainability Reporting Compliance (SRC), t-statistic (3.037149), with a probability of 0.0025 which is statistically significant at 5 percent level of significance. This leads us to reject the null hypothesis that there is no significant association between compliance with the NSE disclosure guidelines and Net Profit Margin (NPM) of listed companies in Nigeria and conclude that there is significant association between compliance with the NSE disclosure guidelines and Net Profit Margin (NPM) of listed companies in Nigeria. This finding support the findings arrived at by Aondoakaa (2015), Bammer & Pavelin (2006), Haddock (2008), Kent & Monem (2008), Clarkson etal.,(2011) and Fortanier etal.,(2011). However, this result contradicts the result obtained by Nikolaeva and Bicho (2011) and Prado-Lorenzo Etal. (2009).

Hypothesis3

Ho There is no significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria.

H1 There is a significant association between compliance with the NSE sustainability disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria.

Decision Rule

The decision rule is to reject the null hypothesis if calculated t-value is greater than the tabulated t - value.

In order to ascertain the impact that sustainability Reporting Compliance (SRC) has on the Return on Capital Employed (ROCE) of companies, the Researcher regressed ROCE against the three components of sustainability Reporting Compliance (SRC). The model formulated earlier is tested using the panel regression using fixed and random effect model. In order to determine which of the two models should be preferred (i.e. whether the Fixed Effects or the Random Effects Model), the following hypothesis was investigated:

H0: Random Effects (RE) Model

H1: Fixed Effects (FE) Model

Note that the chosen alpha (**α**) at 5% significant level is 0.05

Model 3

$ROCE_{it} = \beta_0 + \beta_1 SRC_{it} + \varepsilon$

Table 6 Correlated Random Effects - Hausman Test

Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		3.045026	1	0.0810
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
SRC	0.228063	0.126762	0.003370	0.0810

Source: Eviews output

Table 6 shows the Hausman test result with the p-value of 0.0810 which is greater than the acceptable 0.05 level of significance. Thus, the null hypothesis that random effect is suitable for this model is accepted. Indicating the model should be estimated using random effect, thus random effect was used and Table 7 shows the result of the regression estimate.

Table 7 Cross-section random effects test equation:

Cross-section random effects test equation:				
Dependent Variable: ROCE				
Method: Panel Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.120969	0.104758	-1.154749	0.2487
SRC	0.311379	0.138860	2.242396	0.0311
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.097425	Mean dependent var		0.049877
Adjusted R-squared	0.007008	S.D. dependent var		0.311353
F-statistic	6.077513	Durbin-Watson stat		1.892698
Prob(F-statistic)	0.031089			

Source: Eviews output

Interpretation and discussion of result

From the panel least square results shown in Table 7 above, coefficient of determination (R^2) for the model is 0.097425 indicating the strength of the explanatory variables to explain changes/variations that take place in the dependent variable. It implies that, the explanatory variables explain or account for 9.7 percent of variation in the dependent variable. That is, 9.7% of the variations in return on capital employed (ROCE) are explained by Sustainability Reporting

Compliance (SRC). In other words, about 90.3 percent of variation in the dependent variable is caused by other factors not included in the model. In line with the output of the analysis, the model will appear with its estimates as follows:
$ROCE_{it} = -0.120969 + 0.311379SRC_{it} + \varepsilon$

The coefficient of Sustainability Reporting Compliance (SRC) assumes a positive and statistically significant value. This implies that one percentage point rise in Sustainability Reporting Compliance (SRC) increases return on capital employed (ROCE) by 0.311379percent. The robustness of this result is further buttressed by an F-statistic of 6.077513 while the Durbin-Watson statistic of 1.892698 clearly indicates that there is no effect of serial correlation among the variables used in the study. With the Probability of F-statistic of 0.031089, it is significant enough to conclude that the model has performed well.

Model 4
$ROCE_{it} = \beta_0 + \beta_1 ECM_{it} + \beta_2 EVM_{it} + \beta_3 SOC_{it} + \beta_4 GOV_{it} + \varepsilon$

Table 10 Correlated Random Effects - Hausman Test

Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		4.675716	4	0.3222
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
ECM	0.169716	0.127410	0.002279	0.3755
EVM	-0.095100	-0.069821	0.002292	0.5975
SOC	0.072545	0.008502	0.002733	0.2205
GOV	0.092085	0.076935	0.003150	0.7872

Source: Eviews output

Table 10 shows the Hausman test result with the p-value of 0.3222 which is greater than the acceptable 0.05 level of significance. Thus, the null hypothesis that random effect is suitable for this model is accepted. Indicating the model should be estimated using random effect, thus random effect was used and Table 11 shows the result of the regression estimate

Table 11 Cross-section random effects test equation:

Cross-section random effects test equation:				
Dependent Variable: ROCE				
Method: Panel Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.129568	0.107617	-1.203969	0.2291
ECM	0.169716	0.114445	1.482953	0.1386
EVM	-0.095100	0.120213	-0.791092	0.4292
SOC	0.072545	0.132857	0.546039	0.5853
GOV	0.092085	0.129483	0.711174	0.4773
	Effects Specification			
R-squared	0.330651	Mean dependent var		0.049680
Adjusted R-squared	0.285144	S.D. dependent var		0.311563
F-statistic	7.053865	Durbin-Watson stat		1.892727
Prob(F-statistic)	0.032014			

Source: Eviews output

Interpretation and discussion of result

From the panel least square results shown in Table 11 above, coefficient of determination (R^2) for the model is 0.285144 indicating the strength of the explanatory variables to explain changes/variations that take place in the dependent variable. It implies that, the explanatory variables explain or account for 28.5 percent of variation in the dependent variable. That is, 28.5% of the variations in return on capital employed (ROCE) are explained by Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM). In other words, about 71.5 percent of variation in the dependent variable is caused by other factors not included in the model. In line with the output of the analysis, the model will appear with its estimates as follows:

$ROCE_{it} = -0.129568 + 0.169716ECM_{it} - 0.095100EVM_{it} + 0.072545SOC_{it} + 0.092085GOV_{it} + \varepsilon$

The coefficient of Environmental (EVM), Governance (GOV), Social (SOC) and Economic (ECM) assumes a positive value. This implies that one percentage point rise in Governance (GOV), Social (SOC) and Economic (ECM) increases return on capital employed (ROCE) by 0.169716percent, 0.072545 percent and 0.092085 percent respectively while that one percentage point rise in Environmental (EVM) decreases return on capital employed (ROCE) by 0.095100percent.

The robustness of this result is further buttressed by an F-statistic of 7.053865while the Durbin-Watson statistic of 1.892727 clearly indicates that there is no effect of serial correlation among the variables used in the study. With the Probability of F-statistic of 0.032014, it is significant enough to conclude that the model has performed well.

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Decision

The regression results on table 7 show a positive coefficient (0.311379) between Sustainability Reporting Compliance (SRC), t-statistic (2.242396), with a probability of 0.031089 which is statistically significant at 5 percent level of significance. This leads us to reject the null hypothesis that there is no significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria and conclude that there is significant association between compliance with the NSE disclosure guidelines (SRC) and Return on Capital Employed (ROCE) of listed companies in Nigeria. This result is also in line with the results arrived in Munansighe and Kumara (2013), Nnamani etal. (2017) and Aondoakaa (2015) However, the result contradicts the work of Puneeta and Rupali (2020).

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

This study aimed at examining the impact of sustainability reporting compliance on Financial reporting.

Chapter1 sets out the objectives to be achieved which cuminated in research questions from which hypothesis to be tested were drawn.

Chapter 2 examined the already published work on sustainability reporting compliance and Financial performance and nailed it to the two theoretical framework (Stakeholders and Legitimacy theories). A proper empirical review was carried out and tied back to the theories initially examined to give the study a proper framework.

Chapter 3 sets out the methodology adopted in arriving at the answers to the questions raised in chapter1 and the hypothesis drawn thereon. Secondary data were mainly used from the Nigeria Stock exchange fact book and analysed using simple disclosure Index and simple regression analysis.

Chapter4 details out the data analysis, discussion of the findings was also done

Conclusion from the study show that Sustainability Reporting provides a framework to create value for stakeholders which translates to satisfying the interest of diverse group of stakeholders. This is what is propagated by stakeholder theory that managers should manage a firm for the benefit of all stakeholders

More specific conclusion from the study are:

i. All the Sustainability Reporting Compliance variables (economic,environmental Governance and social) has positive impacts on NPM. On the whole Sustainability Reporting Compliance has impacted positively and significantly on Net profit margin (NPM) and Return on Capital Employed (ROCE)

ii. Companies in Nigeria have significantly complied with the requirement of the Nigeria Stock exchange (NSE) Guideline

iii. In overall, there is a premium that accrues to listed companies when they comply with sustainability reporting guidelines issued by Nigeria Stock Exchange as they will be seen as sustainable and ethical in their dealings with stakeholders.

Recommendation.

The following are my recommendations:

1. There is need for uniformity in reporting Sustainability. Because Sustainability Reporting is rapidly evolving, different standards and frameworks have emerged. There is need to harmonize Sustainability Reporting standards and guidelines.

2. There should be legislative back up for sustainability reporting to give it more power and encourage companies to comply

3. The Researcher also recommends sustainability reporting standards be drawn by the Financial Reporting Council of Nigeria and ensure compliance of companies reporting to their sustainability activities to Financial Reporting Council of Nigeria (FRCN).

4. All companies, both local and international should adopt sustainability in their day to day policies to be legitimate in their daily activities on the planet.

5. People should be viewed as very important when companies are trying to make profit. People and planet should be given consideration before economic decisions are stamped off.

Areas of further research

Future Researchers can research into how people affect the environment while making their daily bread. Researchers can also research into how complying with sustainability disclosure impact Tax payment of companies and several other areas not mentioned in this study. In the cause of carrying out literature review on sustainability, the researcher discovered that most work considered multinationals as their samples. There is need to use local firms as samples and see the level of compliance within local firms as well. This is another area of future research

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