Sustainability Reporting and Financial Performance Sustainability Reporting and Financial Performance

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Abstract

The main objective of this study was to examine the effect of sustainability reporting on the financial performance of listed oil and gas firms in Nigeria from 2012 to 2021. The independent variable used in other to ascertain the effect on return on capital employed were social, health and safety and environmental disclosures. The research design adopted for the study was ex post facto and secondary data were obtained from the studied companies' annual report and Nigeria Exchange Group fact book. Robust panel least square regression was adopted to test the three hypotheses formulated for the study. From the analysis, it was observed that social disclosure, health and safety disclosure and environmental disclosure have a significant positive effect on the return on capital employed by oil and gas companies in Nigeria. Based on these findings, it was concluded that sustainability reporting has a significant effect on the return on capital employed by oil and gas companies in Nigeria. Thus, it was recommended that oil and gas companies should make sustainability reporting mandatory at the industry level, as such, a standardized sustainability index should be put in place as a benchmark to monitor compliance.

Keywords: Sustainability reporting, environmental reporting, social reporting, return on capital employed.

1.1 Introduction

Sustainability reporting is one of the contemporary issues in accounting and it emerged as a result of advancements in technology which brings an unprecedented footprint on the environment and society where companies' economic activities are carried out. In response to these footprints, Oti, Effiong & Akpan (2017) noted that companies institute environmental management systems and sustainable business practices to combat these environmental impacts and serve environmental conservation costs. But the peculiar nature of oil and gas production activities makes it near impossible for some of these sustainability measures to function, as such, some of the environmental impacts are inevitable. Sustainability disclosure is seen as a measurement, analysis and communication of interactions and connections between social, environmental, and economic

issues that make up the three dimensions of sustainability. The oil and gas industry has achieved many notable successes in the field of sustainability and it is becoming increasingly important for individual companies to tell their own stories in a clear, transparent, and straightforward manner. For oil and gas companies, reporting can provide a robust platform for describing how strategic issues are being addressed through long-term plans and current initiatives (Akpan & Emenyi, 2020). Stakeholders can find details of a company's high-level vision and strategy for dealing with sustainability-related impacts, implementing action plans and assessing outcomes. As a result, the sustainability reporting landscape is continuously evolving as companies find new ways to report on how they conduct their operations.

During the past 40 years, pressures from a variety of sources have come to bear on the business community regarding their responsibility towards stakeholders, the environment and the society in which it operates (Asuquo, Dada & Raphael, 2019), hence, the need for an interdisciplinary reporting that reflects a simultaneous integration of economic, environmental and social factors into corporate behaviour to sustain resources for future generation (Okafor, Adeusi & Adeleye, 2021). Sustainability reporting has emerged as an attempt to respond to the demands for interdisciplinary reporting. While there is no single globally accepted definition of sustainability reporting, Elkington (1997) stated that the term "sustainability reporting", in its narrowest term, is a framework for measuring and reporting corporate performance against economic, social and environmental parameters. In its broadest term, it is the whole set of values, issues and processes that companies must address to minimize any harm resulting from their activities and to create economic, social and environmental values.

Reporting sustainability activities of firms affects the reputation and performance of companies undertaking these activities. By disclosing sustainability performance, the company discloses financial information and non-financial information, enabling companies to more transparently communicate with the public about their business activities and other performance aspects. Sustainability reporting can boost financial performance through innovation, operational efficiencies, risk management and stakeholder engagement. Performance in this study is measured in terms of return on capital employed (ROCE). ROCE is an indicator that measures how good a business is at generating profits from capital employed, especially capital invested in sustainable developments. Companies that disclose their sustainability strides have the advantage over others as it constitutes one of the criteria used in assessing and rating sustainable companies. Proponents of the positive effects of corporate sustainability reporting observe that sustainability enhances a company's value and image as well as improves the firm's brand positions, reputation and image which in turn improves financial performance in the long run (Lee, Lee & Cho, 2019). It is often assumed that the proper application of economic, social and governance (ESG) standards imply higher returns and financial performance (Hill, 2020).

The biggest problem with sustainability reporting is that it is voluntary and companies choose what to report which is often the good side, to launder the image of the company (Effiong, Oti & Akpan, 2019). Achieving success in sustainability requires a healthy balance between social, environmental and economic performance. Therefore, the financial statements are no longer adequate for the stakeholders because the financial statements alone do not contain sufficient information about the social and environmental aspects of the company's operations. As a result, companies need to make non-mandatory disclosures whether financial or non-financial and any additional information that may affect the company's performance.

There have been quite several researches on sustainability reporting because of the relevance of

the subject to sustainable development. Going through previous literature, most of the research on sustainability used other measures of performance measures such as return on equity (ROA), return on asset (ROA), cashflow return on investment (CFROI), net profit margin (NPM) and gross profit margin (GPM), but the most important performance measurement indicator being return on capital employed (ROCE), seem to be ignored. Literature has reported mixed evidence concerning the effect of sustainability reporting on financial performance as the outcome of their studies was not unanimous. Given this gap in the literature, the study, therefore, evaluates the effect of sustainability reporting on the performance of oil and gas companies in Nigeria using return on capital employed as a proxy for financial performance.

This study would contribute to knowledge by ascertaining the effect of sustainability reporting on the financial performance of listed oil and gas firms in Nigeria. The study would expand and enrich existing literature on sustainability disclosure and financial performance. Specifically, this study seeks to determine the effect of social, environmental and health and safety disclosures on the return on capital employed of oil and gas companies in Nigeria. Based on the above arguments, the following hypotheses are formulated:

H01: Social sustainability disclosure has no significant effect on the return on capital employed of listed oil and gas firms in Nigeria.

H02: Environmental sustainability disclosure has no significant effect on the return on capital employed of listed oil and gas firms in Nigeria.

H03: Health and safety sustainability disclosure have no significant effect on the return on capital employed of oil and gas firms in Nigeria.

2.0 Review of Related Literature

2.1 Sustainability Reporting

According to GRI (2019), sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders to achieve the goals of sustainable development. Similarly, Umoren & Ukpong (2022) define sustainability accounting as the sub-branch of accounting which handles the activities, methods and systems of the business to record, analyze and report first, the financial effects caused by environmental and social factors and second, the ecological and social effects of a defined economic system. It is not just reported generation from collected data; instead, it is a method to internalize and improve an organization's commitment to sustainable development in a way that can be demonstrated to both internal and external stakeholders. According to Akpan & Simeon (2021), by making these disclosures, companies make stakeholders aware of how they are integrating the principles of sustainable development into their organizational goals and daily operations.

Sustainability reporting represents a potential mechanism to generate data and measure the progress and contribution of companies towards global sustainable development objectives. It can also help companies and organizations measure their performance in all dimensions of sustainable development, set goals, and support the transition towards a resource-efficient and inclusive green economy (Ho & Taylor, 2007). It can be synonymous with triple-bottom-line reporting which Effiong, Oti & Akpan (2019) define as a holistic framework for reporting the tripartite performance dimensions of firms. A lot of reasons have been advanced toward companies' triple bottom line reporting. Among such reasons is the fact that managers believe that it is economically rational to give back to the society and environment from which they draw

economic resources and that the economic benefits from disclosures might offset any associated costs accompanying non-disclosures. Another reason is that companies believe that they should be accountable to various stakeholders on how they use the environmental, social and economic resources that have been entrusted to them (Effiong, Oti & Akpan, 2019). The Nigerian Code of Corporate Governance Principle 26, advocates that the board projects companies as responsible corporate citizens by paying attention to sustainability issues. These should include social, environmental, occupational and community health and safety issues, to ensure successful business performance.

Social sustainability disclosure has to do with the disclosure of organizational impact or footprint on society. Social performance indicators focus attention on the impacts organizations have on the local communities in which they operate and also involve the disclosure of how the risks that may arise from interactions with other social institutions are managed and mediated. According to Effiong, Oti & Akpan (2021), environmental sustainability disclosure involves the disclosure of organizations' impacts on the living and non-living natural systems. It is also concerned with the input-output mode of organizational impacts on the environment. Input has to do with material consumption and output has to do with the end product and waste emissions. Companies, through the process of environmental communication, may seek to influence the public's perception of their operations. According to the European Environmental Agency (EEA 2008), environmental reports are "the principal vehicles for company communication on the environment and a fair and credible reflection of the company's environmental activities".

The contribution of employees to the success of any firm has made it very imperative for companies to make policies that promote the health and safety of these employees. This is to ensure that the work environment is safe and that health is guaranteed. The work environment is seen as all aspects of the design and management of the work system that affect employees' interactions with the workplace. However, there have been calls to improve the health and well-being of employees through corporate social responsibility (Effiong, Oti & Akpan, 2019). Performance is a difficult concept in terms of definition and measurement. It has been defined as the result of activity and the appropriate measure selected to assess organizational success. According to Evangelinos (2020), performance measures can be grouped 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. In this study, financial performance is measured in terms of return on capital employed.

2.2 Theoretical Framework

This study is backed up by the stakeholders' theory as propounded by Freeman (1984). This theory is concerned with how relationships with stakeholders are managed by companies in terms of acknowledgement, transparency and accountability. The argument advocated by Freeman (1984) is that all stakeholders have the right to be treated reasonably by the organization. According to him, stakeholders comprise any group or individual who can affect or be affected by the achievement of the organization's objectives. These groups or individuals include employees, local communities, customers, suppliers, competitors, banks, investors, governments and non-governmental organizations (NGOs). Some scholars have agreed with his position on the responsibility of the firm to a broader set of stakeholders other than shareholders, while Friedman (2002) opposes the idea. The concern of the stakeholder's theory is to ascertain which stakeholders are more relevant to the organization, and this is very vital to the management of the organization because it is believed that the success of the organization in terms of performance is dependent on

the support of the relevant stakeholders (Rahman & Rahman, 2020). This view is also supported by Okafor, Adeusi & Adeleye, (2021) when they stated that stakeholders are identified by companies to ascertain which groups need to be managed to further the interest of the corporation.

More so, this theory proposes an increased level of environmental awareness which creates the need for companies to extend corporate planning to include non-traditional stakeholders to adapt to changing social demands. As stakeholders' influence becomes crucial for corporate image and comparative advantage, companies manage their stakeholder relationship by providing information often in the form of voluntary disclosures in the annual reports or on their websites. The justification is that stakeholders have something at stake as well as the power to influence the organization, including its actions, decisions, policies and goals.

This theory is relevant to this study because it is premised on the notion that stakeholders expect companies to be socially and environmentally responsible so that there is a market premium in improved economic, environmental and social performance which, in turn, boost the shareholders' value. As we know, the shareholders are the major stakeholders of the organization.

Another major theory that supports this study is the agency theory propounded by Jensen and Meckling in 1976. This theory advocates the existence of a principal-agent relationship between the shareholders (principals) and the management (agents) whereby the shareholders appoint management to run the operations of the company. Thus, there is bound to be a conflict of interest as the agents may be pursuing their personal goals rather than that of the principal. According to Nakabiito & Udechukwu (2008), sustainability reporting may be adopted as a management quality assessment tool. Management has discretion in the level of information they disclose and may try to use this information to display to their shareholders/stakeholders that they are acting optimally. To reduce information asymmetries, companies disseminate value-relevant information to a variety of stakeholders Sulkowski (2016). Thus, from the agency theory perspective companies voluntarily publish sustainability reports to reduce agency costs, mitigate information asymmetries, and avoid pressure from regulatory bodies.

This theory is relevant to this study because it explains the agency relationship between the managers of the firm and its stakeholders, especially concerning the provision of financial and non-financial information (Margolis, 2007). It is well known that conflict of interest and information asymmetry exists between company managers (insiders) and shareholders & other stakeholders (outsiders). In the absence of adequate public disclosure by companies, the amount of risk perceived by investors rises significantly (de Klerk & de Villiers, 2012). This causes the market to undervalue the shares or demand more returns from firms which do not disclose appropriately.

2.3 Empirical Review

Umoren & Ukpong (2022) examined the corporate factors influencing the sustainability reporting of listed companies in Nigeria. Four dimensions of corporate attributes were investigated, namely: firm's size, profitability, board size and board diversity. The methodology adopted was *ex post facto* and content analysis. Data were collected from secondary sources, in particular, annual reports of companies listed on the Nigerian Exchange Group as of April 2022. Their results revealed that a firm's size, board size, board diversity and sector have a positive and significant relationship with sustainability reporting, whereas profitability has a negative and insignificant relationship.

Akpan & Simeon (2021) examined the effect of sustainability disclosures on cash flow return on investment of shareholders of oil and gas companies in Nigeria. The secondary source of data was used and the research design adopted was *ex post facto*. The study adopted a time series and cross-sectional analysis of selected oil and gas firms quoted on the Nigeria Stock Exchange as of 31st December 2020 for a period of seven years, spanning 2014-2020. Content analysis methodologies were employed to get data for the sustainability parameters. The results from the study revealed that social sustainability disclosure has a positive significant effect on the cash flow return on investment of listed oil and gas firms in Nigeria; health and safety and that environmental disclosure have an insignificant effect on cash flow return on investment of the studied companies.

Effiong, Oti & Akpan (2019) studied the effect of triple-bottom-line disclosures on shareholders' value added of oil marketing firms in Nigeria. Secondary data were obtained from the NXG fact book and annual reports of the studied companies quoted on the floor of the Nigeria Exchange Market. A disclosure checklist of GRI guidelines was used while employing the ex post facto design. The findings showed that economic, social and environmental performance disclosures significantly affect economic value added, market value added and cash flow return on investment of oil and gas marketing firms during the period.

Asuquo *et al* (2019) examined the effect of sustainability reporting on the corporate performance of selected quoted breweries in Nigeria. To determine the association between sustainability reporting and corporate performance, data was obtained from the audited financial statements of the three breweries under study for a period of five years (2012-2016). The result of the study showed that economic performance disclosure (ECN), environmental performance disclosure (ENV) and social performance disclosure (SOC) have no significant effect on the return on asset (ROA) of selected quoted firms in Nigeria.

Uwalomwa *et al* (2018) provided insight into the bi-directional relationship between sustainability reporting and firm performance in quoted deposit money banks (DMBs) in Nigeria. The empirical findings showed that there is a bi-directional relationship between sustainability reporting and firm performance of quoted Deposit Money Banks (DMBs) in Nigeria. This finding confirms the proposition of the legitimacy theory. The study observes that the market price per share of the sample firms has a significant negative influence on sustainability reporting.

Ezeokafor & Amahalu (2019) examined the effect of sustainability reporting on the corporate performance of quoted oil and gas firms in Nigeria. This study adopted time-series and cross-sectional analysis of selected oil and gas firms quoted on the Nigerian Stock Exchange as of 31st December 2017 for a period of seven years spanning 2011 – 2017. The study made use of the *ex-post facto* research design. The results of the study revealed that sustainability reporting (proxied by economic, environmental and social performance indices) has a significant positive effect on return on equity, net profit margin and earnings per share at a 5% level of significance.

Akpan & Emenyi (2020) investigated the effect of the triple bottom-line reporting on the financial and operating performance of oil and gas firms in Nigeria. Data used in the study were mainly secondary obtained from the Nigeria stock exchange fact book and annual financial statements of oil and gas companies. A disclosure checklist based on GRI guidelines was developed, and the research design adopted was ex post facto. The results showed that triple bottom line reporting has a significant effect on earnings per share (EPS), return on equity (ROE) and return on total assets

(ROTA) of the studied companies.

Using a hand-collected representative sample of 95 publicly traded American firms from various sectors from 2015-2016, Whetman (2017) examined how corporate sustainability reporting affects the financial performance of firms. He found a positive and significant effect of sustainability reporting on a firm's return on equity, return on assets, and profit margin in the subsequent year.

Oti, Effiong & Akpan (2017) determined, from an accounting perspective, the environmental consequences of the operations of oil and gas companies in the Niger Delta region of Nigeria. The study was motivated by the curiosity to explain what goes on in the Niger Delta region in light of environmental degradation and the continuous agitation for a sustainable approach to corporate social responsibility (CSR). The study adopted the ex-post facto research design. Questionnaires were used to collect data from primary and the Taro Yamani sampling determination technique was applied to a sample size of 300 respondents drawn from a population of three million. Data collected were analyzed using a population t-test at a 95% level of significance. The result showed that the corporate social responsibility strategies employed by the oil and gas companies are not adequate to address the environmental degradation resulting from their operations.

3.0 Methodology

The research design adopted in this study was *ex post facto* research design and this design was appropriate for this study because the data used were historical data. The population of this study was made up of all oil and gas firms that were listed on the floor of the Nigerian Exchange Group for the period between 2012 and 2021. As of 31st December 2021, the total number of listed oil and gas firms was 13. The sample size of the study was twelve oil and gas companies determined through the Taro Yamani formula and secondary data was used in this study. The data for the sustainability disclosure variables were obtained from the annual report of the studied oil companies using content analysis. In this study, the environmental sustainability variable was represented as a dummy variable coded '1' for sampled firms that reported issues relating to environmental compliance policy, environmentally sensitive products, environmental sustainability, environmental donations, and the size of environmentally polluting assets and '0' for firms that do not report such information. Furthermore, social sustainability reporting was measured as a dummy variable assigned the value of '1' for sampled firms that documented information relating to corporate social donations and charitable gifts and '0' for otherwise. Disclosure of employee health and safety was also measured using a dummy variable coded as '1' for firms that disclose employee health and safety policies and '0' for those otherwise. Robust panel least square regression was carried out using analytical software of Stata version 16 and Microsoft Excel for the analysis. ROCE was computed as a ratio of profit before interest and tax (PBIT) to capital employed. The secondary data collected were analyzed using descriptive statistics, correlation and regression analysis.

Model specification

The model for this study was adopted from the studies of Akpan & Simeon (2021) but modified to suit the hypotheses of this study as follows:

$$ROCE_{it} = \pi_0 + \pi_1 SoDis_{it} + \pi_2 HSDis_{it} + \pi_3 EnDis_{it} + \sum i_t$$

Where:

ROCE = Return on capital employed
SoDis = Social sustainability disclosure
HSDis = Health and safety sustainability disclosure
EnDis = Environmental sustainability disclosure
$\pi_1 - \pi_3$ = coefficients to be determined in the analysis
it = (i = no of cross section and t = time periods)
$\sum$ = Model Error Term

4.0 Data Presentation, Analysis and Discussion

4.1 Data Presentation

The study investigated the effect of sustainability disclosure on firms' financial performance considering social and health and safety environmental disclosure attributes and employed samples from oil and gas listed companies in Nigeria for the periods 2012 – 2021. Furthermore, in identifying the possible environmental, social, and health & safety disclosure that would impact on return on capital employed, the following analyses were carried out:

4.2 Data analysis

Table 4.1

Descriptive statistics of the effect of sustainability disclosure on financial performance

VARIABLES	MEAN	SD	MIN	MAX	NO OBS
ROCE	0.32	0.34	0.42	12.45	120
SODIS	0.51	1.85	-30.21	15.79	120
HSDIS	0.79	0.18	0	1	120
ENDIS	0.64	0.26	-1.15	8.90	120

Source: STATA'16 Output (2023)

Table 4.1 shows the summary of the descriptive statistics for the study. From Table 4.1, it was found that the return on capital employed was 0.32 with a standard deviation of 0.34. This implies that on average, the return on capital employed by the sample firms was 32%. We also found that on average, about 51% of the firms in our sample disclose information about their social donation activities. In terms of health & safety disclosure, table 4.1 shows that on average, about 79% of the firms in our sample disclose information relating to employee health & safety during the period under study while about 64%% of the firms in our sample disclose information about their environmental sustainability practices.

Table 4.2:

Correlation analysis of the effect of sustainability disclosure on financial performance

	ROCE	SODIS	HSDIS	ENDIS
ROCE	1.00			
SODIS	0.15	1.00		
HSDIS	0.04	0.13	1.00	
ENDIS	0.35	0.03	0.40	1.00

Source: STATA'16 Output (2023)

Table 4.1 shows the summary of the descriptive statistics for the study. From Table 4.1, it was found that the return on capital employed was 0.32 with a standard deviation of 0.34. This implies that on average, the return on capital employed by the sample firms was 32%. We also found that on average, about 51% of the firms in our sample disclose information about their social donation activities. In terms of health & safety disclosure, table 4.1 shows that on average, about 79% of the firms in our sample disclose information relating to employee health & safety during the period under study while about 64%% of the firms in our sample disclose information about their environmental sustainability practices.

Table 4.2:
Correlation analysis of the effect of sustainability disclosure on financial performance

	ROCE	SODIS	HSDIS	ENDIS
ROCE	**1.00**			
SODIS	**0.15**	**1.00**		
HSDIS	**0.04**	**0.13**	**1.00**	
ENDIS	**0.35**	**0.03**	**0.40**	**1.00**

Source: STATA'16 Output (2023)

In the case of the correlation between sustainability reporting and ROCE, table 4.2 shows that there exists a positive and weak association between social sustainability disclosure and ROCE (0.15). There exists a positive and weak association between health and safety disclosure and ROCE (0.04). And there also exists a positive and moderate association between environmental sustainability disclosure and ROCE (0.35).

Table 4.3: Regression result of the effect of sustainability disclosure on financial performance

	ROCE Model (Pooled OLS)	ROCE Model (Robust Regression)
C	**0.95** **{0.006} ****	**0.95** **{0.000} *****
SOCDIS	**-0.03** **{0.354}**	**0.15** **{0.03} ****
HSDIS	**0.31** **{0.369}**	**0.31** **{0.01}****
ENDIS	**0.76** **{0.000} *****	**0.66** **{0.01} ****
F-statistics Wald Statistics	**63.04 (0.00) *****	**27.82 (0.00) *****
R- Squared	**0.42**	**0.42**
VIF Test	**1.02**	
Heteroscedasticity Test	**69.37 (0.000) *****	

Note: (1) bracket {} are p-values

(2) **, ***, implies statistical significance at 5% and 1% levels respectively

Source: Researchers computation (2023)

From Table 4.3, it is observed that the R-squared value of 0.42 shows that about 42% of the changes in ROCE in the pooled oil and gas firms over the period of interest was explained by sustainability reporting and the other 58% is explained by other factors not included in the model but captured by error term. The F-statistic value of 27.82 and its associated P-value of 0.00 show that the Robust OLS regression model overall is statistically significant at a 1% level, this means that the regression model is valid and can be used for statistical inference.

4.4 Discussion of Findings

Social Sustainability Disclosures and Return on Capital Employed

The results obtained from the pool robust least square regression model in Table 4.3 revealed that social sustainability disclosure {0.15(0.03)} has a significant positive effect on the return on capital employed during the period under investigation. This implies that when companies disclose their social footprint, the companies' return on capital would improve significantly. This is so because when the oil and gas companies disclose their social footprint and impact on society, it reflects their responsibility to the society at large, and the host communities and other stakeholders would not disrupt the companies' economic activities like breaking oil pipelines and other hostilities. These findings are in line with other studies like Effiong, Oti & Akpan (2019); Akpan & Simeon, (2021); Asuquo et al (2018).

Health and Safety Disclosures and Return on Capital Employed

The results obtained from the pool robust least square regression model in Table 4.3 revealed that health and safety sustainability disclosure has a significant positive effect {0.31 (0.01} on return on capital employed during the period under study. This implies that when companies disclose their health and safety policies, there would be a relative improvement in their return on capital employed. This result is supported by Uwaloma et al (2018) who posited that health and safety policies play a significant role in supporting firms' going concerns hence, the working environment should be safe and workable. This finding is also supported by the work of Rahman & Rahman (2020) who maintained that the relationship between firms' performance and employee health and safety information disclosure is positive. This implies that there is a high demand for human capital information to stakeholders when firms are making corporate disclosures.

Environmental Sustainable Disclosures and Return on Capital Employed

Finally, results obtained from the pool robust least square regression model in Table 4.3 revealed that environmental sustainability disclosure has a significant positive {0.66(0.01} effect on the return on capital employed of the studied firms. This could be a result of the fact that sustainable companies would always enjoy the cooperation of the host communities and other stakeholders as these stakeholders are aware that their environment is safe for future generations because of the companies' sustainable efforts to preserve it. This aligns with the study of the work of Oti, Effiong & Akpan (2017) that disclosure of environmental responsibility can engender stakeholder support and improve firms' credit rating. Similarly, Akpan & Simeon (2021) also found a positive relationship between environmental disclosure and firms' performance which was measured using cash flows return on investment as a performance measurement.

5.2 Conclusion

The study investigated the effect of sustainability disclosure on the financial performance of listed oil and gas companies in Nigeria for the period between 2012 to 2021. Specifically, it was observed from the results that social, health and safety and environmental sustainability disclosures have a positive impact on the return on capital employed of oil and gas companies in Nigeria. This implies that firms that engage in sustainability practices are bound to enjoy good returns from engaging in such ventures. This is because by publishing voluntary sustainability information, the company can reduce agency costs, mitigate information asymmetries, and avoid pressure from regulatory bodies. Thus, it was concluded that sustainability reporting significantly improves the financial performance of oil and gas companies in Nigeria. Hence, it was recommended that sustainability policies should be enshrined in the day-to-day operations of oil and gas firms so that it would engender positive returns on the capital invested in sustainable developments. It was also recommended that oil and gas companies should make sustainability reporting mandatory at the industry level and that a standardized sustainability index should be put in place as a benchmark to monitor compliance.

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