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**Assessing the Effect of Sustainability Reporting on the Financial Performance
of Listed Oil and Gas Companies in Nigeria**

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Abstract

Nigeria's oil and gas industry is facing significant financial pressures due to growing global awareness of the long-term environmental, social, and ecological harms caused by corporate activities, prompting organizations to expand their strategic approaches and reporting frameworks with sustainability disclosure practices to better meet the expectations of current and future stakeholders. It is on this light that this study was set out to evaluate the effect of sustainability reporting on the financial performance of oil and gas companies listed on the Nigerian Exchange Group over a ten-year study window from 2015 to 2024. Sustainability reporting was operationalised across three distinct dimensions social, economic, and environmental while financial performance, as the dependent variable, was proxied by Return on Capital Employed. The study was conducted under an ex-post facto research design. The study population encompassed all eight oil and gas firms listed on the Nigerian Exchange Group as at 31st December 2024, with data extracted from their respective published annual reports using a criterion-based sampling approach. The hypotheses were tested using panel multiple regression analysis, further supported by descriptive statistics, a correlation matrix, and post-estimation diagnostics, including multicollinearity assessment. The empirical results indicated that social sustainability reporting bears a positive and statistically significant relationship with ROCE, whereas economic sustainability reporting returned a negative association. Environmental sustainability reporting, on the other hand, exhibited a positive but statistically insignificant relationship with ROCE. Drawing from these findings, the study concludes that deeper and more robust social sustainability disclosures produce measurable gains in the ROCE of listed oil and gas firms in Nigeria. The study therefore recommends that regulatory authorities and the NGX should integrate sustainability reporting compliance into listing requirements.

Keywords: Sustainability reporting, social reporting, economic reporting, environmental reporting, GRI 11 and return on capital employed.

1.0 Introduction

Financial performance remains a central concern for businesses, investors, and stakeholders globally, as it signals operational efficiency, competitiveness, and long-term viability. Against the backdrop of growing economic, social, and environmental pressures, sustainability reporting has emerged as a key practice through which companies disclose their broader impacts beyond traditional financial metrics. It essentially involves aligning organizational activities to meet current stakeholder needs without compromising the ability of future stakeholders to meet their own needs (Muhammad, Abubakar & Jibril, 2023).

The global oil and gas industry occupies a particularly contentious position in the sustainability debate. While the sector contributes enormously to national revenues, employment, and economic growth, it is simultaneously the single largest contributor to global greenhouse gas emissions, facing mounting pressure to reduce its environmental footprint. With similar challenges observed in the Middle East (Elkebti & Khalifa, 2025).

Nigeria holds Africa's largest proven crude oil reserves, estimated at approximately 37 billion barrels, and ranks among the top ten global natural gas producers (OPEC, 2023). As of 2025, the sector contributed about 4% to GDP, 80% of government revenue, and over 90% of foreign exchange earnings (Adekunle, Okere, Kokogho, Eze & Odio, 2024). Given this scale, financial performance in the industry is critical for a broad spectrum of stakeholders, investors, policymakers, employees, and host communities.

However, Nigeria's oil and gas industry is severely burdened by sustainability challenges, particularly in the Niger Delta region, which has endured decades of oil spills, gas flaring, land degradation, and community conflict, making it one of the most environmentally devastated regions globally (Muhammad et al., 2023). These crises generate significant financial risks including regulatory sanctions, production disruptions, litigation costs, and reputational damage that impair investor confidence and financial performance. Sustainability reporting therefore emerges as a critical accountability mechanism through which companies can mitigate these risks and attract responsible investment.

Nigeria has introduced regulatory frameworks to address these issues, notably the Petroleum Industry Act (PIA) 2021, with additional oversight from the NUPRC, NMDPRA, NOSDRA, and NESREA (Okoro & Umobi, 2021). Globally, voluntary initiatives including the Global

Reporting Initiative (GRI), SASB, TCFD, CDP, and the forthcoming IFRS S1 and S2 standards have progressively institutionalized sustainability reporting as a global norm. Studies have examined sustainability from multiple dimensions, including environmental, social, and governance (ESG) reporting (Onwubiko, Nwankwo, Ogbu, & Eyinnaya 2025) and triple bottom line framework (Okewu & Adeleye, 2025). However, material sustainability reporting is of particular relevance to Nigeria's oil and gas industry, with economic reporting under the Global Reporting Initiative (GRI) recognized as one of its three fundamental pillars (Rahim et al., 2021). Therefore, this study adopts the GRI framework particularly GRI 11 on materiality (Oil and Gas Sector Standard), using GRI 305 (Emissions), GRI 201 (Economic Performance), and GRI 403 (Occupational Health and Safety) to assess sustainability reporting practices in Nigeria's oil and gas sector.

The study draws on three theoretical frameworks. Stakeholder Theory (Freeman, 1984) argues that firms which actively engage and disclose the management of stakeholder interests employees, communities, suppliers, and the environment are better positioned to sustain long-term profitability. Legitimacy Theory (Suchman, 1995) holds that companies operate under a social contract with society and must demonstrate through sustainability reporting that their activities align with societal norms, protecting brand equity and market access. Institutional Theory (DiMaggio and Powell, 1973) further suggests that firms that conform to institutionalized sustainability reporting expectations are likely to gain greater legitimacy in the eyes of investors, creditors, regulators and host communities.

Despite a growing body of literature, empirical studies specifically examining sustainability reporting in Nigeria's oil and gas sector using Return on Capital Employed (ROCE) as a financial performance proxy remain limited. Existing studies have largely relied on Return on Assets (ROA) or Tobin's Q, and have not simultaneously operationalized GRI 300 and GRI 400 indicators across economic, social, and environmental dimensions over an extended period (Adediran & Edibo 2026; Onoh, Kayadi & Ndubuisi 2022). This study addresses that gap by examining the effect of economic, social, and environmental sustainability reporting on ROCE, contributing a more nuanced and sector specific understanding of the sustainability financial performance nexus in the Nigerian context.

1.2 Problem Statement

Nigeria's oil and gas industry, irrespective of its central role in the national economy, continues to face persistent challenges of environmental degradation, social unrest, and economic shortfalls. A fundamental concern remains whether investments in sustainability reporting translate into measurable financial benefits or merely impose costs that erode competitiveness and shareholder value. Proponents argue that sustainability disclosure reduces information asymmetry, lowers the cost of capital, and enhances firm value; critics, however, view it as a symbolic activity devoid of measurable financial impact. This disparity in perception creates a transparency problem that potentially distorts investment decisions, market valuations, and long-term financial performance.

Empirical evidence on the relationship between sustainability reporting and financial performance in Nigeria's oil and gas sector remains inconsistent and mixed. (Onwubiko et al., 2025) found that environmental and corporate disclosure positively affected return on equity, while social disclosure had a negative effect. Rubushi & Bugaje (2025) revealed a low but significant positive relationship between environmental, social, and economic sustainability reporting and return on assets. Akpan & Simeon (2021) demonstrated that social sustainability disclosure positively and significantly affects cash flow return on investment, whereas health, safety, and environmental disclosures showed insignificant effects. Onoh, Biradawa & Ndubuisi (2022) found that environmental sustainability reporting positively and significantly affects Tobin's Q, while economic sustainability reporting had a negative significant effect. Ukoh, Nduokafor & Nworie (2024) evaluated sustainability reporting as a strategic tool for firm value among oil and gas firms, proxied by market value per share, while Otuku & Adegbe (2024) examined sustainability reporting and financial performance using ROA as the performance proxy.

Notably, most prior studies have not specifically examined the combined influence of social, economic, and environmental sustainability disclosures on Return on Capital Employed (ROCE). This study therefore addresses this gap by evaluating the impact of sustainability reporting on the financial performance of listed oil and gas companies in Nigeria, using ROCE as the primary performance proxy, thereby providing fresh empirical evidence on how these disclosure dimensions affect capital efficiency in this critical sector. However, in lieu of the above background, the main or the general objective of this study is to evaluate the impact of

sustainability reporting on the financial performance of oil and gas companies in Nigeria. Specifically, the study seeks to achieve the following:

1. *Examine the effect of social sustainability reporting on return on capital employed of listed oil and gas firms in Nigeria.*
2. *Determine the effect of economic sustainability reporting on return on capital employed of listed oil and gas firms in Nigeria.*
3. *Evaluate the effect of environmental sustainability reporting on return on capital employed of listed oil and gas firms in Nigeria.*

2.0 Literature Review and Hypothesis Development

2.1 Sustainability Reporting

Sustainability reporting refers to the practice of measuring, disclosing, and being accountable to internal and external stakeholders in pursuit of sustainable development goals (GRI, 2019, as cited in Okon et al., 2023). Umoren & Ukpong (2022) further describe it as a sub-branch of accounting that records, analyses, and reports both the financial effects of environmental and social factors and the ecological and social impacts of economic activities. Rather than a mere data collection exercise, it represents an organisation's commitment to internalising sustainable development principles in ways demonstrable to all stakeholders. As articulated by Akpan & Simeon (2021), these disclosures communicate how firms integrate sustainable development into their organisational goals and daily operations fundamentally, meeting present needs without compromising the ability of future generations to meet their own (United Nations Brundtland Commission, 1987, as cited in Ande, 2025).

Despite numerous scholarly attempts at definition, no universally accepted conceptualisation exists. Onoh et al. (2022) view it as an extension of traditional accounting that captures an organisation's broader impact on people and the planet. Omojolaibi, Oladipupo & Okudo (2019) describe it as the disclosure of economic, environmental, and social performance, while Herbert, Nwaorgu, Onyilo and Iormbagah, (2020) frames it as the integration of these three dimensions into corporate reporting. Collectively, these perspectives converge on the idea that sustainability reporting serves as a key communication platform through which firms signal dedication to

responsible practices and their resulting impacts, projecting an eco-friendly corporate image while reassuring stakeholders of long-term ecological responsibility.

To enhance consistency and comparability, many organisations adopt the Global Reporting Initiative (GRI) framework as the world's most widely used sustainability reporting standard. The primary objective of such reporting is to promote transparency and accountability regarding an organisation's sustainability practices (Eneh & Amakor, 2019). It builds stakeholder trust by providing clear insights into environmental, social, and economic impacts, as well as associated risks and opportunities (Al Hawaj & Buallay, 2022). By measuring and disclosing sustainability data, organisations can identify areas for improvement, set targets, and implement strategies that reduce environmental footprints, strengthen social responsibility, and enhance economic performance ultimately generating long-term value for both the organisation and its stakeholders (Amahalu, Nzekwe & Okoye, 2021).

2.2 Economic Sustainability Reporting and Financial Performance

Economic sustainability reporting encompasses the disclosure of a firm's economic contributions to society, including value creation, local procurement, employment generation, tax payments, community investments, and long-term financial stability. Unlike traditional financial reporting, it focuses on how corporate economic activities contribute to broader societal development, signalling financial resilience and responsible economic management that may positively affect investor confidence and firm performance (GRI, 2021, as cited in Adediran & Edibo, 2026). In emerging economies such as Nigeria, such disclosures may strengthen corporate legitimacy and stakeholder confidence, potentially influencing profitability and asset utilisation. Rahim et al., (2025) identify four GRI G4 indicators of economic sustainability, direct economic Value generated and distributed, proportion of senior management hired from local communities, significant indirect economic impacts, and proportion of spending on local suppliers as a comprehensive framework for evaluating how firms create and distribute economic value in socially and developmentally meaningful ways.

According to the GRI (2011), economic sustainability indicators typically include revenue, operating costs, dividends, tax payments, community investments, climate-related expenditures, defined benefit obligations, government grants, and expenditure on local suppliers (Onoh et al., 2022). When these indicators are transparently communicated, organisations can identify areas

for improvement, make better-informed financial decisions, and enhance long-term viability and stakeholder value creation (Aifuwa, 2020). Empirically, Muhammad et al. (2023) found that economic sustainability disclosure significantly affects the financial performance of listed oil and gas companies in Nigeria, further reinforcing its relevance as a performance driver in the sector.

Economic sustainability reporting thus serves as a vital mechanism through which firms assess and communicate their economic influence on shareholders, investors, and suppliers (Amahalu et al., 2021). By demonstrating commitment to economic responsibility and strengthening stakeholder trust, firms generate long-term value that supports improved financial performance. Accordingly, the first hypothesis examines the empirical relationship between economic sustainability reporting and financial performance proxied by Return on Capital Employed (ROCE).

H₀₁: Economic sustainability reporting has no significant effect on the return on capital employed (ROCE) of listed oil and gas companies in Nigeria.

2.3 Social Sustainability Reporting and Financial Performance

Social sustainability reporting refers to the systematic documentation and disclosure of an organisation's social impacts on its stakeholders, including employees, customers, suppliers, communities, and society at large (Nworie & Aniefuna, 2024). As defined by Rubushi & Bugaje (2025), social sustainability involves actively building and preserving the capabilities of current and future generations by promoting health and well-being, equitable treatment, and a high quality of life both within and outside the workplace. Conversely, anti-social corporate practices can have severe economic and political repercussions, often negatively affecting a country's GDP (Onoh et al., 2022).

At its core, social sustainability prioritises integrity, equality, respect for human rights, fair treatment of workers, elimination of discrimination, and equal access to training and development opportunities (Denu, Bentley & Duan, 2023). By disclosing these activities, companies build trust and enhance credibility with stakeholders (Ehioghiren & Eneh, 2019). Research further demonstrates that sustainable development practices positively influence financial performance both directly and indirectly through increased customer loyalty, higher

employee satisfaction, and improved corporate reputation (Onwubiko et al., 2025). The scope of social sustainability reporting encompasses diversity and inclusion, employee welfare, community engagement, human rights, ethical sourcing, and broader social impacts, with disclosures made either voluntarily or in response to regulatory mandates (Umar, Mustapha & Yahaya, 2021). Transparent disclosure of social sustainability information is therefore expected to positively influence investor confidence, encourage greater investment, and ultimately enhance long-term financial performance. Accordingly, the second hypothesis examines the empirical relationship between social sustainability reporting and financial performance proxied by Return on Capital Employed (ROCE).

H₀₂: Social sustainability reporting has no significant effect on return on capital employed of listed oil and gas companies in Nigeria.

2.4 Environmental Sustainability Reporting and Financial Performance

Environmental sustainability reporting involves the systematic documentation and disclosure of an organisation's impact on the natural environment, encompassing key ecological indicators such as energy consumption, greenhouse gas emissions, water usage, waste generation, and pollution levels (Ezekwesili & Ezejiofor, 2022; Iliemena, Amedu & Ukoh et al., 2024). It enables organisations to monitor environmental performance, identify areas for improvement, and demonstrate commitment to environmental stewardship and accountability (Ukoh et al., 2024). Such disclosures are typically integrated into sustainability reports, annual reports, or other public communications, informing stakeholders about the company's environmental efforts and obligations (Amahalu et al., 2016; Lawrence, 2022).

To ensure credibility and comparability, organisations adopt recognised frameworks such as the GRI, the Sustainable Development Goals (SDGs), and IFRS S1 and S2, effective 2024 (Aifuwa, 2020). Given that corporate operations are inherently dependent on the natural environment, transparent environmental disclosure is expected to positively influence investor confidence by highlighting remediation efforts and responsible resource management ultimately affecting the firm's overall financial outcomes. Accordingly, the third hypothesis examines the relationship between environmental sustainability reporting and financial performance proxied by Return on Capital Employed (ROCE).

H0₃: Environmental sustainability reporting has no significant effect on return on capital employed of listed oil and gas companies in Nigeria.

2.5 Firm size and Financial Performance

Firm size denotes the scale of a company's operations as measured by its total assets and workforce. Larger firms tend to have a wider and more diverse stakeholder base, making them more exposed to scrutiny from various actors within the business environment (Wang, 2017; Dioha, Mohammed & Okpanachi, 2018). Their greater visibility across stakeholder groups creates a stronger incentive to seek legitimacy from those who control the resources essential to their operations. Consequently, factors such as asset base, number of employees, and international presence are all capable of influencing both the extent of sustainability reporting and the overall profitability of an organisation.

2.6 Global Reporting Initiative (GRI 11)

GRI 11 is a sector specific standard developed by the Global Reporting Initiative (GRI) to enhance sustainability reporting. It is designed to facilitate high-quality reporting on impacts associated with the oil and gas industry. The standard helps oil and gas organizations report their material sustainability topics in a standardized way, allowing stakeholders to compare sustainability efforts and trust reporting. GRI 11 covers a wide range of sustainability impacts, including climate change (Scope 1, 2, and 3 emissions), biodiversity, waste, water management, community impacts, and labour rights. Moreover, it identifies 22 material topics for the sector, requiring companies to explain their impacts on the economy, environment, and people.

2.7 Financial Performance

Financial performance is a critical component of financial risk management and a vital indicator of a company's overall financial health and stability over time. It enables meaningful comparisons of firms within and across industries (Didin & Mochamad, 2022) and measures a firm's efficiency in converting financial and non-financial resources into revenue and income (Yousaf & Dey, 2022). It provides a snapshot of a company's financial position at any given moment, serves as a barometer of management effectiveness, and enhances managerial confidence in both short- and long-term decision-making. A strong financial position further enables a firm to gain competitive advantage over less financially sound rivals (Ogunbiyi-Davies

& Adegbe, 2024). More broadly, financial performance reflects a company's ability to generate profits and sustain a stable financial position over time (Fatihudin, Jusni & Mochklas, 2018; Naz, Ijaz & Naqvi, 2016, as cited in Sunday et al., 2025). Amahalu & Obi (2020) describe it as a subjective measure of how effectively a company utilises its core assets to produce income. Commonly used metrics include Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Return on Sales (ROS), and Earnings Per Share (EPS) (Onwubiko, et al., 2025).

Researchers generally evaluate financial performance through three approaches: accounting-based profitability measures, market-based measures, or a combination of both. Economic models such as Tobin's Q and Mari's coefficient are also employed alongside traditional accounting methods (Dinh & Pham, 2020). Studies linking financial performance to sustainability reporting typically follow either an event study methodology examining short-term market reactions, or an accounting-based approach assessing the association between sustainability disclosures and profitability. The present study adopts the latter approach, with Return on Capital Employed (ROCE) calculated as the ratio of Profit Before Interest and Tax (PBIT) to Capital Employed serving as the proxy for financial performance.

2.8 Theoretical Framework

Legitimacy Theory

Legitimacy Theory, originally developed by Dowling and Pfeffer (1975), argues that businesses operate under a social contract with society. To maintain legitimacy and secure access to essential resources, companies must ensure that their operations align with prevailing societal values, norms, and expectations (Suchman, 1995, as cited in Herbert et al., 2020). In Nigeria's oil and gas industry where environmental degradation, community conflicts, and intense regulatory oversight are prevalent companies often employ sustainability reporting to demonstrate commitment to societal concerns and responsible practices, thereby protecting or improving their financial performance (Okafor et al., 2022). However, Legitimacy Theory also explains the widespread practice of greenwashing, whereby firms produce carefully worded disclosures that project an image of environmental responsibility even when actual environmental performance remains poor (Amaeshi et al., 2021).

Stakeholder Theory

Complementing Legitimacy Theory is Stakeholder Theory, introduced by R. Edward Freeman in 1984. This theory emphasises the importance of various stakeholder groups including investors, host communities, regulators, non-governmental organisations, and the media in shaping corporate disclosure practices. Organisations must actively manage and balance the interests of all parties who can influence or are influenced by their activities. In the Nigerian oil and gas sector, rising community protests, investor demand for strong economic, social, and environmental performance, and growing global environmental pressure have intensified the need for transparent disclosure of environmental impacts and remedial actions (Okonkwo et al., 2022). Stakeholder Theory is particularly relevant to the present study as it highlights the close connection between sustainability reporting and corporate financial performance. It suggests that effective sustainability disclosure can improve financial outcomes, strengthen reputation, build stronger stakeholder relationships, and enhance risk management (Ohiokha, Odion & Akhalumeh, 2016). Empirical support is found in studies reporting positive relationships between sustainability disclosure and firm performance (Adediran & Edibo, 2026), which argue that firms responding proactively to stakeholder expectations generate long-term value. In the oil and gas sector, where environmental and social pressures are intense, effective sustainability disclosure may mitigate community unrest, reduce regulatory sanctions, and enhance brand legitimacy, thereby improving financial outcomes. By integrating sustainability principles and actively involving stakeholders, companies can support sustainable economic, social, and environmental progress, ultimately enhancing long-term performance and success. Accordingly, the present study is anchored on Stakeholder Theory.

Institutional Theory

Institutional Theory, developed by DiMaggio and Powell (1983), provides a broad systemic perspective on how organisational behaviour is influenced by formal and informal rules, norms, and cultural expectations within the institutional environment. In the Nigerian oil and gas sector, institutional forces including regulatory bodies such as NESREA and the Petroleum Industry Act, professional standards, industry associations, and global reporting frameworks such as the GRI, TCFD, CDP, GRESB, SASB, and IFRS S1 and S2 significantly shape companies' sustainability disclosure practices.

Collectively, Legitimacy, Stakeholder, and Institutional theories offer a comprehensive, multidimensional explanation for sustainability reporting patterns observed among Nigerian oil and gas companies. They explain not only why firms engage in such reporting, but also what information is disclosed, in what format, and to whom. The interplay of legitimacy-seeking, stakeholder management, and institutional mimicry creates a robust analytical framework for examining both the symbolic and substantive dimensions of sustainability disclosures, while also revealing the structural weaknesses that enable greenwashing a practice often deployed to improve the perceived financial performance of oil and gas firms in Nigeria. The GRI framework, which underpins this study's measurement of sustainability reporting, is itself grounded in stakeholder engagement principles, requiring companies to identify material issues through stakeholder consultation, further reinforcing the relevance of Stakeholder Theory as the primary theoretical anchor of this study.

2.9 Empirical Review

Issa and Zaid (2026), in their study Sustainability Reporting and Financial Performance of Quoted Oil and Gas Firms in Nigeria, examined the impact of environmental, social, and economic disclosures on ROA using panel least squares regression. The findings revealed that social disclosure significantly affects ROA, while environmental and economic disclosures were insignificant. The authors recommended improved integration of environmental reporting into business models. The study's limitation lies in the limited explanation of governance disclosure effects.

Adediran and Edibo (2026), in their research Sustainability Disclosure and financial Performance of Quoted oil and Gas Companies in Nigeria, examined the effect of environmental, economic, governance, and social sustainability disclosures on ROA using panel regression techniques. The findings revealed that environmental sustainability disclosure, economic sustainability disclosure, governance sustainability disclosure, and social sustainability disclosure did not exert statistically significant effects on Return on Assets (ROA). The study recommended stronger regulatory frameworks, improved quality and depth of sustainability reporting, and strategic integration of sustainability initiatives into corporate decision-making processes to enhance long-term value creation.

Onwubiko et al. (2025) investigated the impact of sustainability reporting on the financial performance of listed oil and gas companies in Nigeria. The study specifically examined the effects of social disclosure, corporate governance disclosure and environmental disclosure on return on equity (ROE). Data were collected from the financial statements of five listed firms over the period 2011–2024, and analyzed using unit root tests, cointegration analysis, and multiple linear regression. The findings indicated that social responsibility disclosure had a negative but significant effect on ROE, corporate governance disclosure had a positive and significant effect, while environmental disclosure had a positive but statistically insignificant effect on ROE.

Ogunbiyi-Davies and Adegbe (2024) analysed the effect of corporate social responsibility (CSR) on the financial performance of 11 listed oil and gas companies in Nigeria from 2011 to 2022 using panel regression analysis. Their results showed that health and safety initiatives had a significant positive impact on financial performance, while overall CSR investments had a small negative effect. The study concluded that CSR, particularly employee-related expenditures and health and safety initiatives, significantly influences financial performance. In another study, Ahakiri et al. (2023) examined the effect of environmental accounting disclosure (EAD) on profitability among nine listed oil and gas companies in Nigeria from 2013 to 2021. Employing dynamic panel regression and controlling for firm size and leverage, the study reported a positive and significant relationship between environmental accounting disclosure and firm profitability. The authors recommended the integration of environmental accounting practices into corporate social responsibility initiatives to improve both environmental and financial performance.

Soomiyol et al. (2023) assessed the effect of sustainability reporting (economic, environmental, and social) on return on assets (ROA) of sampled oil and gas firms in Nigeria using generalized least square (GLS) regression. The findings indicated that economic and environmental reporting had significant positive effects on financial performance, whereas social reporting showed no significant impact. Similarly, Okafor et al. (2022) examined the effect sustainability environmental disclosure on financial performance of oil and gas companies in Nigeria. The study adopted an ex-post facto research design and analysed data from nine quoted oil and gas firms on the Nigerian Stock Exchange using regression analysis. Their findings revealed that

environmental protection, pollution control, recycling, and restoration disclosures had positive but statistically insignificant effects on financial performance.

The empirical reviews are connected to this study because they all examined or share one or two variables in common such as the proxies of the dependent and the independent variables. However, they produced mixed results within Nigeria's oil and gas sector. A credible explanation for these divergent findings lies in methodological inconsistencies across studies, varying sustainability measurement instruments, and differences in sample size and study periods, which limit cross-study comparability.

3.0 Methodology

This study adopted an ex post facto research design, which was suitable because it relied on already existing data allowing the researcher to examine relationships between variables based on past events. The population consisted of all oil and gas companies listed on the Nigerian Exchange Group from 2015 to 2024. As of 31 December 2024, there were eight (8) such companies. The study used six (6) oil and gas companies over a period of ten (10) years from 2015-2024. The study adopts criterion sampling technique. Criterion sampling allows the researcher to deliberately select firms that possess specific characteristics relevant to the study objectives. In this case, Firms that were permitted to trade before January 1, 2015, or are still listed as of December 31, 2024 with availability of complete annual reports are eligible for review.

Data collection involved secondary sources, specifically the annual reports of these companies. Content analysis was employed to extract information on sustainability disclosures. The independent variables (sustainability disclosures) proxied based on Global Reporting Initiative (GRI) 2013 were measured as dummy variables (binary: 1 or 0) as follows: Economic sustainability: Coded '1' if the firm disclosed information on GRI standards 201, 203, and 207; otherwise '0'. Social sustainability: Coded '1' if the firm disclosed on GRI 403, 406, and 413; otherwise '0'. Environmental sustainability: Coded '1' if the firm disclosed on GRI 303, 305, and 306; otherwise '0'. Although the sample size is relatively small, firm size was introduced as a control variable to maximise firm year observations and mitigate the potential influence of size related heterogeneity on the generalization of the findings. Data analysis was conducted using STATA 17 software. The quantitative techniques applied included descriptive statistics,

correlation analysis, and panel estimation techniques, diagnostic tests, and robustness analyses were employed to minimise the statistical limitations associated with small sample sizes to achieve the study's objectives.

Table 1 Study Population

1. Japaul Gold & Ventures
2. Conoil Plc
3. Eterna Plc
4. Oando Plc
5. Total Nigeria Plc
6. Seplat Petro Dev Coy Plc
7. Aradel Holdings Plc
8. MRS Oil Nigeria Plc

Source: Researcher's Compilation (2026)

Table 2: Variables and Measurement Criteria

Variables	Measurements	Source
Dependent variable		
ROCE	(PBIT) divided by the Capital employed	Okon et, al., (2023)
Independent Variables:		
Economic Sustainability	A summated scale of firm GRI 201, 203, and 207 disclosure	Herbert et al., (2020)
Social Sustainability	A summated scale of firm GRI 403, 413, and 205 disclosure	Herbert et al., (2020)
Environmental Sustainability	A summated scale of firm GRI 302, 303, and 305 Disclosure	Herbert et al., (2020)
Control variable		
Firm Size	Natural Log of Total Assets	Onoh et al.,(2022)

Source: Researcher's Compilation (2026)

Table3. GRIs Benchmark Disclosure Content.

Economic Disclosure
GRI 201 Defined benefit plan obligations and other retirement plans
GRI 203 Ratios of standards entry level wage by gender compare to local minimum wage
GRI 207 Approach to tax
Social Disclosure
GRI 403 Occupational health and safety management system
GRI 406 Non-Discrimination
GRI 413 Operations with local community engagement, impact assessments, and development programs
Environmental Disclosure
GRI 303 Management of water discharge related impacts
GRI 305 Direct (Scope 1) GHG emissions. Energy indirect (Scope 2) GHG emissions Other indirect (Scope 3) GHG emissions
GRI 306 Waste generation and significant waste related impacts and Management of significant waste related impacts

Source: Researcher's Compilation (2026)

Model specification

The model for this study was adopted from the studies of (Onoh et al., 2022; Oguntamu et al., 2025) but modified to suit the hypotheses of this study as follows:

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \mu \text{-----} (1)$$

that is,

$$ROCE_{it} = \beta_0 + \beta_1 ECOSR_{it} + \beta_2 SOCSR_{it} + \beta_3 ENVSR_{it} + FIRM SIZE_{it} + \mu_{it} \text{-----} (2)$$

Where:

ROCE = Return on capital employed

ECOSR = Economic sustainability reporting

SOCSR = Social sustainability reporting

ENVSR = Environmental Sustainability reporting

FIRM SIZE = Control Variable

β_0 = constant or intercept

it = firms in period

β_1 - β_3 = coefficient to be estimated

μ_{it} = Stochastic or error term

4.0 RESULTS AND DISCUSSION

Table 4 Descriptive Statistics

Variables	Obs	Mean	Std.dev.	Min	Max
ROCE	60	0.2530	0.4975	-1.8847	1.9766
ECOSR	60	0.6389	0.2695	0.3333	1
SOCSR	60	0.6389	0.2765	0	1
ENVSR	60	0.4833	0.3095	0	1
FSIZE	60	7.6373	0.8477	5.7366	9.8085

Source: Stata result output, 2026

Table 4 presents the descriptive statistics of the variables used in the study. The results show that the mean Return on Capital Employed (ROCE) stood at 0.2530%, with a standard deviation of 0.4975%. This indicates that, on average, the sampled oil and gas firms generated a 25. 3% return on every naira of capital employed. However, the standard deviation being twice the mean suggests high variability in performance, implying that many firms experienced periods of very low or even zero returns on capital employed during the study period.

Furthermore, the analysis reveals that, on average, approximately 64% of the sampled firms disclosed information on their economic sustainability practices, particularly in the areas of defined benefit plans and tax approaches. In terms of social sustainability, also about 64% of the firms provided disclosures relating to issues such as health and safety as well as donations. While, environmental sustainability disclosures were considerably lower, with 48% of the firms reporting on practices like greenhouse gas (GHG) emissions reduction, waste management, and water management. The minimum value of 0 implies that at least one among the sampled firms has no disclosure on sustainability.

However, the descriptive statistics reveal a mean firm size of 7.64 equivalent to approximately N2.07 billion in total assets measured as the natural logarithm. This indicate that the sampled Nigerian oil and gas companies are predominantly mid-to-large capitalized entities. Firm size is included to isolate the independent effect of sustainability reporting dimension on ROCE, given that larger firms may systematically differ in both disclosure practice and capital efficiency.

Table 5 Correlation Statistics

Variables	ROCE	ECOSR	SOCSR	ENVSR	FSIZE
ROCE	1.0000				
ECOSR	0.0736	1.0000			
SOCSR	0.3469	0.3685	1.0000		
ENVSR	0.2909	-0.1072	0.0715	1.0000	
FSIZE	-0.0382	-0.0459	-0.0072	0.0101	1.0000

Source: Stata result output, 2026

Table 5 presents the correlation analysis between sustainability reporting and Return on Capital Employed (ROCE). The results indicate a positive and weak association between economic sustainability reporting and ROCE ($r = 0.07$). This implies that as economic sustainability disclosures increase, ROCE tends to marginally increase, indicating that greater emphasis on economic sustainability reporting slightly translate into improved financial performance for the sampled firms. However, the analysis reveals a positive but moderate relationship between social sustainability reporting and ROCE ($r = 0.35$). This indicate that sampled firms with greater social sustainability disclosure tends to demonstrate higher capital employed efficiency.

Similarly, a positive but weak association was observed between environmental sustainability reporting and ROCE ($r = 0.29$). This suggests that higher levels of environmental disclosures are linked to a slight increase in ROCE, further highlighting that while environmental sustainability reporting are positively linked to return on capital employed, the relationship lacks sufficient strength to suggest a dominant influence on the listed oil and gas companies. The correlation between firm size and ROCE ($r = -0.038$) reveals a negligible negative relationship, indicating that firm size has virtually no linear association with capital employed efficiency among the sampled Nigerian oil and gas companies. thus, suggesting that larger firms do not systematically outperform smaller firms on ROCE but possibly reflecting the capital intensity burden characteristic of large upstream operations where substantial assets bases are not always matched by proportional operating returns.

Multicollinearity Test

The Variance Inflation Factor (VIF) is used to measure the extent of multicollinearity among the independent variables in a regression model. A high VIF indicates the presence of multicollinearity, which inflates the variance of the coefficient estimates. This can lead to unstable and unreliable regression results.

Table 6 Result for multicollinearity test

Variable	VIF	1/VIF
ECOSR	1.18	0.8445
SOCSR	1.17	0.8516
ENVSR	1.03	0.9742
FSIZE	1.00	0.9977
Mean VIF	1.10	

Source: Stata result output, 2026

The Variance Inflation Factor (VIF) results indicate a low level of multicollinearity for the variable ECOSR, with a VIF value of 1.18. This suggests that the variance of its coefficient estimate is inflated by only 18% due to its correlation with other independent variables in the model. Similarly, SOCSR shows a low degree of multicollinearity with a VIF of 1.17, while ENVSR and FSIZE has an even lower VIF respectively of 1.03 and 1.00. This implies that the regression coefficients are stable, the standard errors are not inflated, and the results can be interpreted with confidence. Overall, the mean VIF of 1.10 across all variables confirms that the regression model is healthy and largely free from multicollinearity issues.

Hausman Specification Test

Table 7 Hausman test

Model	Chi (1)	Chi (2)
Model	0.39	0.0169

Source: Stata result output, 2026

The Hausman test produced a p-value of 0.0169. Since this p-value is less than the conventional significance levels of 5% and 1%, the study reject the null hypothesis and accepts the alternative hypothesis. This indicates that the fixed effects panel regression model is statistically more appropriate and preferable to the random effects model. Consequently, pooled OLS estimates would be biased and inconsistent.

Regression Analyses

This sub section present regression analysis result that is utilize in testing the hypotheses.

Table 8 Fixed Effect Regression

ROCE	Coefficient	Std. err.	t	P-value
ECOSR	-0.0439	0.2432	-0.18	0.857
SOCSR	0.6055	0.2362	2.56	0.013
ENVSR	0.4256	0.1973	2.16	0.065
FSIZE	-0.0232	0.0712	-0.33	0.745
CONS	-0.1342	0.5862	-0.23	0.820
Obs	= 60			
F (4, 55)	= 3.30			
Prob > F	= 0.0171			
R-squared	= 0.2965			
Adj R-squared	= 0.1348			
Source: Stata result output, 2026				

According to the results in Table 8, The fixed effect regression analysis examined the effects of three sustainability reporting dimensions economic (ECOSR), social (SOCSR), and environmental (ENVSR) on Return on Capital Employed (ROCE). ECOSR recorded a negative coefficient of -0.0439, indicating a marginal inverse relationship with ROCE; however, with a p-value of 0.857, this effect is statistically insignificant. ENVSR posted a positive coefficient of 0.4256, suggesting a modest positive association with ROCE, but its p-value of 0.065 equally falls short of the 0.05 significance threshold, rendering it statistically insignificant. In contrast, SOCSR emerged as the only statistically significant predictor, with a coefficient of 60.6 and a p-value of 0.013, indicating that social sustainability disclosures exert a strong and significant positive influence on ROCE.

The model's R-squared value of 0.2965 indicates that the three sustainability reporting variables jointly account for approximately 29.65% of the variation in ROCE, with the remaining 70.35% attributable to factors outside the model. Notwithstanding the moderate explanatory power, the overall model is statistically significant (Prob > F = 0.0171), confirming its validity for inferential purposes. The absence of significant effects for ECOSR and ENVSR is attributed to industry-specific contextual factors, including heavy environmental remediation costs, crude oil

price volatility, exchange rate and inflationary pressures, regulatory uncertainty, and operational disruptions from pipeline vandalism and oil theft within the Nigerian oil and gas sector.

Test of Hypotheses

H₁: Economic sustainability reporting has no significant effect on the return on capital employed of listed oil and gas companies in Nigeria.

With a coefficient of -0.0439 and a p-value of 0.857 (> 0.05), ECOSR exerts a statistically insignificant negative effect on ROCE, thereby suggesting that the first hypothesis of the study will be accepted. This outcome is consistent with Legitimacy Theory, suggesting that economic disclosures in the Nigerian oil and gas sector are largely ceremonial driven by regulatory compliance and legitimacy management rather than genuine stakeholder value creation. The finding corroborates Issa & Zaid (2026), Adediran & Edibo (2026), and Rubushi & Bugaje (2025), though it diverges from Soomiyol et al. (2023) and Rahman et al. (2013), with differences in measurement approaches accounting for the divergence.

H₂: Social sustainability reporting has a significant effect on the return on capital employed (ROCE) of listed oil and gas companies in Nigeria.

SOCSSR recorded a positive coefficient of 60.6 and a statistically significant p-value of 0.013 (< 0.05), based on this the result suggest that the second hypothesis of the study is hereby rejected. This indicates that social sustainability disclosures significantly enhance capital efficiency, as stakeholders respond with greater trust, reduced conflict, and improved operational legitimacy. The result is grounded in Stakeholder Theory and is consistent with Issa & Zaid (2026), Adediran & Edibo (2026), Onwubiko et al. (2025), Okon et al. (2023), and others, while conflicting with Rubushi & Bugaje (2025) attributable to differences in proxies, sample size, and study period.

H₃: Environmental sustainability reporting has no significant effect on the return on capital employed of listed oil and gas companies in Nigeria.

ENVSR posted a positive coefficient of 0.4256 but a statistically insignificant p-value of 0.065 (> 0.05), leading to the acceptance of the third hypothesis. Consistent with Legitimacy Theory, environmental disclosures in Nigeria appear to be symbolically motivated deployed primarily as

a reputational management response to environmental incidents rather than reflecting substantive environmental commitment. This aligns with Issa & Zaid (2026), Adediran & Edibo (2026), Onwubiko et al. (2025), and others, while contrasting with Okon et al. (2023), Rubushi & Bugaje (2025), and Erinoso & Oyedokun (2022), with methodological differences in measurement explaining the divergence.

Summary of Findings

Based on the regression analyses and the results of the tested hypotheses, the findings are summarized as follows:

- i. Economic sustainability reporting has no significant effect on ROCE.
- ii. Social sustainability reporting has a significant effect on ROCE.
- iii. Environmental sustainability reporting has no significant effect on ROCE.

5.0 Conclusion and Recommendations

The study examined the effect of sustainability reporting on the financial performance of listed oil and gas companies in Nigeria. The findings revealed that social sustainability disclosures had a positive and statistically significant impact on Return on Capital Employed (ROCE). In contrast, economic sustainability had a negative and environmental sustainability reporting showed a positive but insignificant effect on ROCE.

Based on these results, it is evident that oil and gas companies in Nigeria that enhanced social sustainability disclosures translates into measurable capital employed efficiency. In contrast, given the insignificance of economic sustainability, no definitive conclusion can be drawn regarding its directional influence on ROCE. While, the outcome for environmental sustainability reporting reflects compliance driven nature of disclosures within the Nigerian oil and gas companies. Therefore, by voluntarily adhering to accurate and comprehensive sustainability information disclosure on both economic and environmental, companies can reduce stakeholders' fears about pollution, spills and ecological damage, minimize information asymmetry, and lessen regulatory scrutiny while projecting themselves as responsible and ethical organizations.

The research provides a clear understanding of the relationship between sustainability reporting and financial performance among Nigerian listed oil and gas firms. Drawing from the study's findings and conclusions, the following recommendations were proposed:

- i. The Federal Government of Nigeria should develop a National Sustainability Reporting Policy that mandates comprehensive disclosures for listed companies in high-impact sectors such as oil and gas, aligned with IFRS S1, IFRS S2, and GRI Standards.
- ii. The NGX should integrate sustainability reporting compliance into listing requirements, with consequences for companies failing below minimum disclosure thresholds.
- iii. Regulators and government should introduce incentive mechanisms including tax relief, preferential treatment, and recognition programmes for oil and gas companies that demonstrate exemplary sustainability reporting practices, thereby creating positive incentives for substantive disclosure.

5.1 Contribution to Knowledge

This study contributes to sustainability accounting literature in three important ways. First, from a content perspective, it disaggregates sustainability reporting into social, economic, and environmental dimensions rather than relying on aggregate sustainability measures, it is among the very few studies that explicitly disaggregates SR into its three core components by testing their individual effects on Return on Capital Employed (ROCE). Second, from a theoretical perspective, the findings support Legitimacy Theory and Stakeholder Theory by suggesting that sustainability reporting in the Nigerian oil and gas sector is driven more by regulatory compliance, stakeholder expectations, and legitimacy concerns than by immediate financial performance objectives. Third, from a contextual perspective, the study provides evidence from the Nigerian oil and gas sector, this extends existing literature, which is largely dominated by evidence from developed economies, and demonstrates that sustainability reporting may not necessarily translate into improved short-term accounting performance in emerging markets. This finding adds balance to the mixed and predominantly positive literature by demonstrating that, under current voluntary reporting practices in Nigeria, sustainability disclosures do not yet translate into measurable improvements in capital efficiency.

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