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EFFECT OF SUSTAINABILITY DISCLOSURE ON FIRM PERFORMANCE: EVIDENCE FROM NON-FINANCIAL QUOTED COMPANIES IN NIGERIA

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Abstract

The broad objective of this study is to examine the effect of corporate sustainability disclosure on firm performance of quoted health care and consumer goods companies in Nigeria for the period of eight years (2011 – 2018). To achieve this objective, the study specifically sought to ascertain the extent to which employee health and safety sustainability disclosure, employee sustainability disclosure and governance sustainability disclosure affect firm different performance measures of accounting and market value (Return on Asset & Tobin Q). In this study, we employ ex-post facto research design on a panel data set which was secondarily sourced from related company's' annual financial reports. The formulated study hypotheses were tested by employing Panel Corrected Standard Error (PCSE) estimator while the probability values, (p- values) from the regression results formed the basis for decision making. The empirical study reveals that all three variables of interest; employee health and safety disclosure, employee disclosure and governance sustainability disclosure have insignificant effect on firm performance of both return on asset and tobin Q performance measures. Hence, we suggest that corporate managers should review policies relating to employee information disclosure if they aim to improve short run performance (return on asset) as well as long run performance (Tobin Q). We also recommend a 'policy shift' in the sense that managers may need to focus policy attention towards improved disclosure of information regarding to employee health and safety to maximize its gains.

Keywords: Sustainability Disclosure, Employee Health and Safety, Governance Sustainability and Panel Corrected Standard Error Estimator

Introduction

Industrialization is connected with economic, social and environmental hazards running from environmental debasement, air and water contamination which has significantly expanded deforestation and loss of territories for amphibian and earthbound creatures. According to Simnet, Vanstraelen & Chua (2009), over the past decade, conventional financial reporting has been disapproved for not representing multiple dimensions of a firm's value. The criticism of financial reporting in addition to the current global Covid-19 pandemic has asserted more pressure on accounting to represent and present the multiple dimensions of the value of a firm. Furthermore, the increasing need for non-financial disclosures and the growth of global

ecological awareness and the movement for sustainable economic growth are bringing to the attention of firms its operations sustainable and ecological sensitivity. These have given rise to sustainability agenda (sustainability reporting) which is associated to earlier ideas such as the accounting for human resource and social audits in the 1970s and triple bottom line reporting and environmental reporting in the 1990s, corporate social responsibility reporting and various versions of the GRI (Global Reporting Initiative) guidelines on reporting (Simnet, Vanstraelen & Chua, 2009). Sustainability reporting has become important to both developed and developing economies with the increasing concern for the global environment and preservation of the ecosystem to make it sustainable.

According to Adams (2002), there are many factors that could influence sustainability reporting of a firm. These factors may arise from the firm's internal and/or external environment. In assessing factors which influence a firm sustainability reporting, a study done by Frost et al. (2005) examine sustainability reporting of businesses trading on Australian Stock Exchange (ASX). Likewise, Guthrie and Farneti (2008) assess Australian public organizations' compliance with Global Reporting Initiative (GRI) guidelines on sustainability reporting. Other studies include Kolk (2008), where sustainability reporting practices of multinational organizations were examined, and Larrinaga-Gonzalez and Perez-Chamorro (2008), argued that sustainability reporting practices of corporate businesses should take cognizance of their organizational structure. In the same vein, Adams and Whelan (2009) note that business organizations will engage in sustainability reporting when stakeholders create cognitive dissonance. There is also advocacy that sustainability reporting should reflect in the internal organizational processes of companies to enhance its authenticity (Herschovis et al., 2009) noting that these approaches to the study of sustainability reporting could increase its quantity and quality of the reporting entities.

Sustainability reporting could also be influenced by the organizational process depicted by attitudes of key decision makers, board of directors' committee on sustainability issues, stakeholder engagement, sustainability framework and assurance. Another issue is whether the organizational context leads to more or less sustainability reporting, or, whether they lead to situations where business organizations report on sustainability without improving on their internal processes. This kind of situation creates a decoupling between sustainability reporting and internal processes, and could result in less accountability from sustainability reporting and disclosures.

Therefore, a focus on corporate sustainability challenges the traditional objective of corporations, which is to maximize shareholder value. More specifically, according to this view, it is believed that any manager who makes investments that is not beneficial for employees, shareholders or its customers is believed to abuse the firm's resources (Friedman, 1970). Here, the cost of social issues and inequality are perceived as problems that may best be solved by others, for instance the government (Waddock & Graves, 1997) and that corporations, thus, should do no more than to abide by the law (Friedman, 1970). However, proponents of a positive relationship on the other hand often derive their arguments from stakeholder theory. According to stakeholder theory, corporations are responsible to a variety of stakeholders - with their potential of having positive and/or negative impact on the society in which they operate.

Within Nigerian context, the response and adaptability of firms to forces within its environment is yet to be ascertained. Also, from the literature on sustainability reporting in Nigeria, the perception of corporate actors to institutional pressures influencing sustainability reporting has not yet been thoroughly examined. In Nigeria, non-financial firms have contributed to the economic growth of the nation through wealth and employment creation as well as contribution to the country's Gross Domestic Product (GDP) and poverty alleviation among the citizenry (Shen, Govindan & Shankar, 2015; Togun & Nasieku, 2015). However, these firms have also been developing fast through investments in institutional factors and foreign direct investments (KPMG, 2014). It has been found that while acquiring technology to exploit the vast resources, developing countries encounter the risk of obsolete and harmful technologies and products, and environmental degradation due to weak regulatory frameworks, institutions, standards and indices (Ahen, 2015; Tilakasiri, 2012). Hence, the enforcement of sustainability reporting ensures that firms are held accountable to stakeholders for harmonious coexistence, thus, leading to improved firm performance and overall improvement in the value of the firm (Calabrese, Costa, Menichini, Rosati & Sanfelice, 2013).

Prior research has theoretically and empirically, tried to establish the relationship between corporate sustainability reporting and firm performance. However, so far, the results have been either inconclusive or inconsistent hence dividing previous research into two main camps supporting either a positive or negative relationship. The most referred proponent of a negative relationship between corporate sustainability reporting and firm performance is Milton Friedman. Friedman in 1970 argues that corporations engaging in sustainability activities incur more costs, thus reducing their net performance. Since these additional costs and administrative burdens may affect the corporation's bottom line negatively it may potentially lead to competitive disadvantages for the firm (Friedman, 1970; McWilliams & Siegel, 1997; Jensen, 2001; Barnett & Salomon, 2006). Furthermore, Most related studies on the subject regarding the effect of corporate sustainability disclosure on firm performance were observed to be carried out in advanced countries like; U.S.A, and U.K. Denmark, Indonesia; Hussain (2015), Haryono and Iskandar (2015) respectively.

Although related studies have been carried out in Nigeria Usman and Amran (2015), Oba and Fodio (2012), Bassy and Eton (2013) Ifurueze, Lydon and Bingilar (2013) Ezejiofor, Akamelu and Chigbo (2016), Effiong and Tapang (2012), Eze, Nweze and Enekwe (2016) Asuquo (2012) Effiong and Eton (2013) but more of these studies were carried out using oil and gas firms which are highly sensitive to environmental sustainability issues ignoring other sectors that have also contributed to the development of the Nigerian state. Hence, from the foregoing, this study seeks to evaluate the effect of corporate sustainability reporting on performance of quoted firms in Nigeria. Specifically, the study seeks to;

1. Investigate the influence of health and safety disclosure on performance of quoted non-financial companies in Nigeria.
2. Ascertain the influence of employee disclosure on performance of quoted non- financial companies in Nigeria.
3. Examine the influence of corporate governance sustainability on performance of quoted non-financial companies in Nigeria.

Following the above stated objectives the rest of the paper proceeds as follows: Section 2 provides conceptual as well as theoretical reviews and expresses the null hypotheses. Section 3 outlines the research method and the model employed to prove the hypotheses. Presentation and discussion of results are provided in section 4 while in section 5, the author provides the conclusion and proffer some recommendations.

Literature Review

Conceptual Framework

Firm Performance

Firm performance is one of the most important variables in management research and arguably the most important indicator of firm growth (Wahla; ShahSyed & Hussai, 2012). Consequently, Lebans and Euske (2006) provide a set of definitions to illustrate the concept of firm performance and describe performance as a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Leban & Euske, 2006; Kaplan & Norton, 1992). Researchers have measured firm's performance through three different financial categories: Accounting-Based (e.g., return on assets), Market-Based (e.g., Tobin's q) and Growth-Based (e.g., sales growth) (Li & Qian 2005). However, most recently non-financial measures have been argued to include corporate sustainability measures (Kaplan & Norton, 1992). The concept of corporate performance in accounting literatures refers normally to financial aspects such as profit, return on assets (ROA) and economic value added (EVA), using the nick name of 'the bottom line'.

Kaplan and Norton in 1992 devised the extended measurement of corporate performance as balanced scorecard, where the central idea is to balance the domination of financial and non-financial aspects in corporate performance. Simons (2000) opined that corporate performance is a function of market mechanism reflected in the way the company interacts with the financial, factor and customer product markets. In the financial market, corporate performance strives to satisfy shareholders and creditors in the form of financial indicators. In the factor market, such as suppliers and other production owners, the corporate ability to pay in time and in agreed amount are important in evaluating corporate performance". Finally, from the perspective of customer product market, corporate performance has been evaluated by parties in the market based on the ability of the corporation to deliver value to customers with affordable price: the net effect which in turn will be indicated in the corporate revenue.

Corporate Sustainability Reporting

The advocacy for corporate sustainability reporting by leading governments has been on the increase with the coming together of Brazil, Denmark, France and South Africa, in support of the United Nations Conference on Sustainable Development (Rio+20). The aforementioned countries attracted the support of the Global Reporting Initiative (GRI) and United Nations Environment Program me (UNEP). These two bodies became part of recognized leading institutions in sustainability reporting. The GRI has been developing frameworks and guidelines which organizations are employing to report on sustainability. These frameworks include Reporting Guidelines which include the indicators of sustainability reporting which organizations can use in measuring and reporting their sustainability performance. In addition,

the United Nations Environment Programme (2012) emphasizes the need for partnership between countries and organizations towards the actualization of the goal of sustainable development through provision of relevant information to enable the former improve the quality of life for their people, without putting future generations at risk.

In addition to this step, Corporate Sustainability Reporting Coalition (CSRC) at the instance of Aviva in September 2011 prepared a policy, which proposes corporate sustainability reporting as a mandate for advancement of a green economy. CSRC is a global union of financial institutions, professional bodies, non-governmental organizations and investors with assets worth US$2 trillion. United Nations member states are mandated to develop rules which board of directors in companies should adhere to in consideration of sustainability issues, integrate those which they consider significant within their annual reports and financial statements, or explain why they do not (Corporate Sustainability Reporting Coalition, 2012). Although, according to Dilling (2010), the European Union (EU) encourages voluntary sustainability reporting, some countries in the EU such as Denmark, Finland, Sweden, Belgium, the Netherlands and Germany have either legislative or non-legislative bodies which drive social responsibility and sustainability reporting. The Association of Certified Chartered Accountants (2004) notes that the first sustainability reports in Africa and the Middle East were published in 1993 and since then reporting has grown slowly.

Majority of the corporate sustainability reporters and reporting developments have occurred in South Africa. For instance, the King Code II (now revised) corporate governance report in South Africa has been noted as the first in any African jurisdiction to include a comprehensive section on integrated sustainability reporting. There is the King III code of corporate governance which took effect from 2010 requiring amongst others that companies incorporate sustainability reporting and disclosures into their financial reports (Integrated Reporting and Assurance Services, 2012). The United Nations Environment Programme (2013) discloses that there was a coming together of South Africa, Brazil, Denmark and France in 2012 to support paragraph 47 of the UN Conference on Sustainable Development. According to the United Nations (2012), in paragraph 47 the importance of sustainability reporting is recognized; interested stakeholders in industry, governments, and non-governmental organizations have been encouraged to design ways through which the goal of sustainable development can be actualized. The governments of Austria, Columbia, Norway and the Switzerland have also joined South Africa, Brazil, Denmark and France in favor of Paragraph 47 of the Rio+20 outcome document on this same issue.

The Nigerian experience towards corporate sustainability reporting is still evolving. According to Okoye and Ngwakwe (2004), increasing awareness of social and environmental issues is resulting in clamors for sustainable economic development. There is also a shift towards stakeholder-oriented corporate governance requirements depicted in the changes made to the Code of Corporate Governance for companies operating on the stock market. This code was issued by the Securities and Exchange Commission - SEC (the stock market regulator) in Nigeria. This regulatory board demands that companies incorporate the requirements of the Code in line with reporting on sustainability as part of their corporate governance from the year 2012 (Securities and Exchange Commission, 2011).

Health and Safety Disclosure

The nature of contemporary corporate employee health and safety policy has led researchers to note that reporting on employee can best be described as "worker washing" (Behm, Schneller 2011) or "safe washing" (O'Neill; Flanagan, Clarke, Safe wash 2016) as it projects a positive image of companies that, while providing legitimacy, it should reflect a company's work conditions or workers' experiences. Work environment is seen as all aspects of the design and management of the work system that affect employees' interactions with the workplace. This can include the physical design, including layouts and the built environment, division of labour, use of technology, supervisory structures, human resource management strategies, and co-worker interactions that can affect the physical, mental, and emotional work-load which determines the positive or negative outcomes of work for the employee. However, there have been calls to improve the health and well-being of employees through corporate social responsibility (Granerud 2011). But relative to other areas of CSR, such as the natural environment, there is a lack of knowledge about how employee concerns are addressed in corporate social responsibility reporting.

Employee Disclosure

The role of employees as a relevant stakeholder group for achieving corporate sustainability has recently gained greater attention in the academic literature – a focus that goes hand in hand with a holistic approach towards corporate social responsibility, taking into account that strategic initiatives can only be implemented with the active support and participation of individual employees. Within this approach, workforce engagement is regarded as a central element or a resource for "transforming a firm's sustainability mission, strategy, and values into measurable results". Various conceptualizations of employee contributions towards corporate greening that may subsequently influence management practices can be distinguished. A first strand concentrates on the user knowledge of employees for improving products and services and develops eco-innovations (Buhl et al., 2016; Ramus, 2003). A second strand seeks to benefit from tacit employee knowledge in order to improve work processes and routines that can have an impact on the sustainability of the fabrication process, such as in detecting sources of pollution and toxic emissions (Wolf, 2013).

A third approach, which can be seen as part of a holistic strategy for greening the workplace, is to motivate employees towards sustainable behavior within the organization (Muster, 2011; Süßbauer & Schäfer, 2018). From this perspective, employees are not simply regarded as a resource; rather, they simultaneously feature as a target group for corporate social activities. Holistic corporate social strategies can enable businesses to go beyond technological innovations – not only shaping economic life but also stimulating changes in the culture that underlies market expectations (Jackson, 2005; Michaelis, 2003; Paech and Pfriem, 2002). Development of attitudes, behaviors, knowledge and skills in the employees that prevents the corrosion of attitudes, skills and knowledge comes under the umbrella of training and development (Zoogah, 2011). Training is considered as the preparation of multi-talented employees that is concerned with the development of knowledge and skills required for innovation (Liebowitz, 2010). Performance of the organization is also associated with training and development of employees because training incorporates knowledge and skills in the employees needed to achieve organizational goals and objectives. The employees must be

equipped with the necessary skills in order to perform effectively in the organization. The capability to acquire new knowledge can be produced among employees through training that can be used for innovation and enhanced performance and competitiveness of the organization as a whole. Exploratory learning is associated to a greater extent with organizations conducting training. The skill development and the exploratory learning are the potential means of encouraging innovations in the organization (Zakaria, 2012)

Governance Sustainability

Board of Directors assumes a central role in the governance of the corporation. While there are no universal standards for corporate governance, the board generally assumes three core responsibilities: oversight of strategic direction and risk management, ensuring accountability, and evaluating performance and senior level staffing (Epstein & Roy 2002). Boards therefore must pay close attention to concepts and issues that focus on long-term health of the corporation, such as sustainable development (Ricart, Rodriguez & Sanchez 2006). Legal liabilities for board members vary by jurisdiction. Although board members are under no specific legal obligation to use sustainable development indicators, they are expected to exercise a duty of care to make decisions; prudently and on an informed basis (Fischer & Feldman 2002). Aras and Crowther (2017) argue that both corporate governance and sustainability is essential for the continuous operation of any corporation therefore much attention should be paid to these concepts and their applications. They also pointed out that the concept of sustainability is less understood than the concept of corporate governance, which is well established.

In the views of Gul; Muhammad & Rashid (2017), these two concepts are fundamentally related to each other such that good corporate governance is generally expected to have a positive impact on sustainability performance and disclosure. Sustainability performance of a firm is greatly influenced by its profile of corporate governance (Lawrence, Collins & Roper, 2013). In another dimension, Hart (1995) noted that corporate governance plays a critical role in sustainability performance, owing to several reasons. First, sustainability aspects have long term strategic significance and require top management commitment and substantial investment hence; there can be impact on the firm’s capital structure and risk, thereby having impact on firm’s viability. Second, addressing the social dimensions and natural environment, demands extensive coordination at multiple complex levels, that expands the significance of the company across stakeholders (Roome, 1992).

Theoretical Framework

Stakeholder Theory

Stakeholder theory was propounded by Edward Freeman in 1984. It is one of the major approaches to social, environmental, and governance sustainability management research. Scholars describe stakeholders as “those groups and individuals who can affect or be affected by the actions connected to value creation and trade”, or as “the individuals and groups who depend on the firm to achieve their personal goals and on whom the firm depends for its existence” Stakeholder theory contributes to understanding stakeholders’ influences on organizations’ actions and how organizations respond to these influences. Stakeholders often seek to influence their organization’s philosophy and practice of sustainability reporting. The traditional definition of a stakeholder is “any group or individual who can affect or is affected

by the achievement of the organization's objectives" (Freeman 1984). The general idea of the stakeholder concept is a redefinition of the organization. In general, the concept is about what the organization should be and how it should be conceptualized. Friedman (2006) states that the organization itself should be thought of as grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. This stakeholder management is thought to be fulfilled by the managers of a firm. The managers should on the one hand manage the corporation for the benefit of its stakeholders in order to ensure their rights and participation in decision making and on the other hand the management must act as the stakeholder's agent to ensure the survival of the firm so as to safeguard the long term stakes of each group.

Resource Dependency Theory

The Resource dependency theory was propounded by Pfeffer and Salancik in 1978. According to this theory, "the board of directors is a strategic resource, which provides a linkage to various external resources in a business organization". The resource dependence theory emphasizes that organizations exert positive control over their operating environment by gathering resources needed for the survival of the organization," (Hillman, Canella & Paetzold 2000). In the resource dependence role, outside directors might bring resources to the firm, such as information, skills, access to key constituents (e.g., suppliers, buyers, public policy decision makers, social groups) and legitimacy. Furthermore, resource dependence theory suggests that resource exchange (from governance attributes) between partners should be used as a mechanism to control environmental risk. The theory draws the attention of corporate entity to their internal resources as a means by which they can organize their processes in other to achieve competitive advantage.

Those internal resources that can give the entity competitive advantage must be unique, valuable, rare, imperfectly imitable (firm-specific) and not substitutable. In other to explore these internal resources, the personal trait of the executive director will count. Chen and Yu (2011), posit that the extent a firm can maximize the benefit of their internal resources depend on management uniqueness. It is believed that there are some resources that have unique attributes and its uniqueness depend on the utilization of the assets by the management. Teece (1982) observed that one of the unique attributes of these value creating resources is their indivisibility, which can lead to market failure when excess capacity is underutilized and cannot be sold off or rented out. The resource-based theory provides the theoretical framework which evaluates the nexus that exist between executive dynamics and intangible assets disclosure. The disclosure of those unique assets gives the firm a competitive advantage and enhances firm value which gives the firm the motivation for disclosing these unique intangible assets.

Theoretical Expositions and Hypothesis Development

Health and Safety Disclosures and Financial Performance

Employees are major stakeholders whose welfare is paramount for enhanced organizational performance and as such workers health and safety cannot be undermined. Hence, the need for disclosure on healthy and safer work conditions is gaining wider recognition as an expansive idea influencing quality of life of employees as well as its significant influence towards social/societal sphere. Employee health and safety encompasses the

physical, mental and emotional welfare of an employee relative to the performance of his duties and as a result impacts positively on the achievement of organizational goals (Amponsah-Tawaiah & Dartey Baah 2011). In the light of this, the International Labour Organization (ILO) in 1959 emphasized that employee health and safety should be part of organizations culture aimed at protecting workers against health hazards as a result of work schedules. Similarly, Cole (2002) noted that employees who are healthy and safe at work are more committed and utilize the best of their potentials to work thereby yielding results.

Specifically, we document that disclosure on employee health and safety are reports/ programs geared towards the protection of employees against organizations activities; products and service hazards. Increased industrialization and economic development have further heightened industrial accidents and exposure to dangerous chemicals and toxic substances with their attendant health implications for employees and the environment. Cooper (1995) opined that as much as profitability is imperative to business, organizations must put in place an integrated mechanism that promotes quality management, employee safety and the environment. According to the International Labour Organization (ILO) statistics, about 2.3 million employees die from job related mishaps or illnesses every year, 317 million occurring on the job annually leading to absenteeism, increase in personnel cost and decrease in firm value.

Developing countries such as Nigeria endowed with mineral resources are prone to occupational, job and health related deaths most of which are as a result of employees engaging in hazardous activities. This impedes employee performance adversely (Demba, Ceesay & Mendy 2016 Amponsah Tawiah & Mensah 2016). Organizations environmental policies are a boast towards environmental sustainability and enhance firm's opportunity to gain increased market share and profitability. Hence from the foregoing, the first hypothesis of this study is stated as:

$H0_1$: Health and safety disclosure have no significant influence on performance of quoted non-financial companies in Nigeria.

Employee Disclosure and Financial Performance

Numerous researchers have considered, along the years, many elements of the CSR concept (Ali, Rehman; Ali, Yousaf & Zia 2010; Chen, Patten & Roberts 2009; Dhaliwal; Li; Tsang & Yang 2011; Giannarakis & Theotokas 2011; Dibella & Woodilla 2006; Goss & Roberts 2009; Gupta, D.K.; Saxena 2006). In their studies, these authors examine CSR activities regarding their impact on company employees. Results from these studies show that the companies performing CSR activities relate better to the employees, clients, shareholders, environment, suppliers, and the local communities. According to the same authors, companies create added value through an appropriate communication and understanding of the company stakeholders' requests. From country to country, the pattern of communication and performance of the CSR-type activities is certainly different in terms of economic development, culture, religion, traditions, government actions, and the severity of the social and environmental problems the country faces (Williams & Pei 1999; Suliman & Al-Khatib 2014).

As noted by Lee and Miller 1999, employees who are the human element of a company, are an important resource in implementing the company strategy. Consequently, Volunteering Australia (2007) in this regard emphasized that almost half of the world's largest companies believe that motivating employees is key to the CSR actions and their involvement. Each

employee in a company is not only an important resource to it, but is also considered a valuable player in the company. The employee value resides in their competence, where lack of it, the company would lose both performance and competitive advantage (Shin, Hur & Kang 2016). Davenport 2000; Graves & Waddock 1999; and Wood, 1991 consider the following to be CSR initiatives for employees or practices ensuring an agreeable working environment: responsible human-resources management (non-discrimination at the workplace, promotion at the workplace), granting fair rewards and a correct employee waging system, open and flexible communication with the employees, and investment by the company in the employees' personal development.

Companies can attain a competitive advantage through strategies such as cost leadership, marketing differentiation, and innovative differentiation (Porter & Kramer 2006).These are strategies used by corporations in order to improve their employees' commitment, and to include factors such as closer community, better collaboration, employee loyalty and dedication to the company, and more active involvement initiatives at the workplace. Furthermore, the costs the companies bear with CSR practices are overcompensated by the benefits they gain as an effect of boosted morale and increased productivity of the company employees (Glavas & Kelley 2014; Solomon & Hanson 1985; Gond, El Akremi, Jacques Igalens & Swaen 2010). Similarly, Post, Preston and Sachs (2002) recommend that companies should develop the employees' human capital, this being a specific action related to the competitive advantage. Thereafter, the same authors show that dedicated employees can help reach the company objectives. Hence we state the second hypotheses as:

$H0_2$: Employee disclosure has no significant effect on performance of quoted non-financial companies in Nigeria.

Governance Sustainability Disclosures and Financial Performance

Corporate governance combines complex interaction that involves legal systems, financial and economic development, politics, history, and culture (Doidge, Karolyi, & Stulz 2007). The relationship between corporate governance and firm performance depends on country-level and firm-specific factors. The most noticeable difference in governance systems across countries is in the ownership structure of individual firms. In countries such as the United States and the United Kingdom, many firms are widely held by a large number of small shareholders. Elsewhere in Europe and in the developing world, including Nigeria and South Africa, ownership tends to be more concentrated, with large shareholdings by family members or by other individuals. Klapper and Love (2004) shows that the optimal corporate governance system for a given economy lies on the country's financial and legal development.

There is reasonable consensus among practitioners and academicians about the importance of good corporate governance on the economy (Klapper & Love 2004). Good corporate governance contributes to sustainable economic development by enhancing the stability and performance of companies (Mallin, 2008). First, sound corporate governance increases access to external financing for firms which leads to larger investment, higher growth, and creation of more jobs. Second, it can lower the cost of capital and raise the value of the firm, making investments more attractive, which in turn lead to growth and more employment. Additionally, good governance produces better operational performance through better allocation of resources and better management. It reduces the risk of financial crises, which can

have devastating economic and social costs. Furthermore, it leads to better relationships with all stakeholders, and thus improves labor relations as well as the climate for improving social aspects such as environmental protection (Bebchuk, Cohen, & Ferrell 2009). Good corporate governance provides proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders thereby facilitating effective monitoring (OECD, 2004; Honoré, Munarib, & Pottelsberghe 2015).

Specifically, since corporate governance plays an integral part in a firm's overall wellbeing, then how it is governed should impact its profitability. Ferrell, Liang, and Renneboog (2016) found that well governed firms that suffer less from agency problems engage more in CSR. Their results show a positive relationship between corporate social responsibility and value, suggesting that engaging in CSR can be a means of generating more returns to investors. Corporate mismanagement is a strong reason why investors, employees, and society push for the firm to engage in socially responsible behavior. Even though existing laws and regulations dictate company actions regarding accounting practices, corporate governance procedures, and direct environmental impacts compliance by firms may still sometimes waver. As executives attempt to increase company profits over a given time, they may cut costs in critical areas of operation. Not only does this behavior have tremendous external consequences, it can also be felt internally through the destruction of firm value, making it extremely difficult for a firm to recover its reputation. Hence the third hypothesis of this study is stated as:

$H0_3$: Corporate governance sustainability has no significant relationship with performance of quoted non-financial companies in Nigeria.

Empirical Reviews

Ekwueme; Egbunike and Onyali (2013) examined the association between corporate sustainability reporting and firm performance. The results of the study showed a significant positive association between corporate sustainability reporting and corporate performance. The study revealed that investors and consumers were inclined to purchase the products of green companies, which positively influences the market value of the companies. The study recommended that quoted firms should adopt sustainability reporting practices for attaining competitive advantage.

Akinyomi and Olutoye (2015) explored the topic 'corporate governance and profitability of Nigerian banks' using a time frame between 2008 and 2012. The author aimed at providing empirical evidence on the subject by employing ROE as a proxy for bank profitability and corporate governance characteristics of Board size, Board composition, and directors' interest as the independent variables. Furthermore, to carry out the analysis, the authors used Regression techniques that produced results which showed that there is no statistically significant relationship between board composition and profitability. Also, there is no statistically significant relationship between board size and profitability and an insignificant negative relationship between directors' interest and profitability. The study concludes that a non-beneficial and non-significant association exists between directors' interests and profitability among Nigerian banks. The study recommends that in order to prevent distress in the banking sector, there should be a regular review of corporate governance codes so as to reflect current social, environmental, technological and economic situations.

In the empirical study of Uwuigbe (2013) the main objective is to find out the effect of Corporate Governance on Share Price of listed Firms in Nigeria using a scope between 2007 and 2009. The study employed Regression analysis to ascertain the effect of ownership structure and audit committee on share Price. However, the results showed that there is an insignificant negative relationship between the number of shareholders on the board and share price. Also, that there is a significant positive relationship between the composition of the audit committee and share price.

Methodology

The study adopts Ex- post facto and descriptive research design based on secondary data collected from financial report of the selected listed non – financial firms in Nigeria. Annual reports of the sampled firms were used to obtain information on both variables of corporate sustainability disclosure and firm performance. The final compilation of the data set was carried out by AfricanCompanies 'a registered corporate body in Nigeria saddled with the responsibility of collecting empirical data for scientific research studies. In this study we employed non-financial companies for the period 2011 - 2018.

In this study, the entire population contains nineteen (19) quoted consumer goods companies and eleven (11) quoted health care services firms. These firms have been drawn from the list of companies quoted under the non-financial sector of the Nigerian economy. This study employed analytical software of Stata version 14 and Microsoft excel for the analysis. The secondary data collected was analyzed using descriptive statistics, correlation and regression analysis. The descriptive statistics was used to evaluate the characteristics of the data: mean maximum, minimum, and standard deviation and also check for normality of residua. Correlation analysis was employed to evaluate the association between the variables and to check for possible perfect collinearity between our variables of interest. In order to test the cause effect relationship that exists between the independent and the dependent variables of interest, we adopt the fixed and random effect regression analysis technique.

We follow the dichotomous variable measurement for employee sustainability disclosure which is coded as '1' for sampled firms that document information relating to human resources and employee relations, size of employee and investment in employee career. Disclosure of health and safety of work environment was also measured using dummy variable formation as '1' for firms that disclose issues regarding health and safety of the work environment or '0' otherwise. However, the variable of board gender diversity was used to capture corporate governance sustainability which is measured as the ratio of female board members to the total size of the board. We also employ control variable of firm size in developing the model of the study. Our performance measures for this study are both short- and long-term performance measures of Return on Asset and Tobin Q respectively.

Model Specification

This study adopts the Panel Corrected Standard Error regression estimation technique in estimating a suitable model of the study. However, in determining the effect of corporate sustainability disclosure on firm performance, we formulated two different models following prior related studies of Nyeadi, Ibrahim and Sare 2018; Tze, Boon & Yee 2014. The following models are therefore adopted for this study:

ROA = h&sdisc + empdisc + gov + fsize………………………… (1)
Tobinq = h&sdisc + empdisc + gov + fsize ………………………… (2)

Succinctly, two econometric models have been formulated from the above models to test the hypotheses of this study:

Model 1

$$roait = \partial_0 + \partial_1 eh\&sdisc_{it} + \partial_2 empdisc_{it} + \partial_3 bgendiv_{it} + \partial_4 fsize_{it} + £_{it} \ldots\ldots (3)$$

Model 2

$$tobinqit = \partial_0 + \partial_1 eh\&sdisc_{it} + \partial_2 empdisc_{it} + \partial_3 bgendiv_{it} + \partial_4 fsize_{it} + £_{it} \ldots (4)$$

Where:

ROA & TOBINQ = Return on Assets and Market based measure of firm performance
EH&SDISC = Employee Health & Safety Disclosure
EMPDISC = Employee Disclosure
BGENDIV = Board Gender Diversity
FSIZE = Firm size
∂0 = Model intercept
∂1……. ∂4 = Coefficient to be estimated, where ∂1……. ∂4 > 0
it = Cross Section of listed companies with time variant
∑it = stochastic error term

Control Variable

To control the influence of firm size on financial performance as a continuous variable the logarithm of total asset is employed as proxy for the variable of firm size this is similar to the related studies of Choi et al., (2010)

Data Presentation and Analysis

Table 4.1a Descriptive Statistics by Firm Year

Variable	Mean	Max	Min	S.D.	N
ehs_disc	.4364641	1	0	.0002601	181
emp_disc	.4917127	1	0	.5013181	181
bgen_div	.1164688	.4	0	.0143288	181
roa	.0370166	.37	-.34	3.162523	181
tobin_q	1.83326	9.29	.12	3.162523	181
f_size	7.196022	8.75	5.35	.3613978	181

Source: Researcher's Computation 2020

From the descriptive statistics, information on health and safety is revealed to be disclosed by less than 50% of the firms considered during the period of this study. This is obtained from the variable of health & safety (ehsdisc) (44%) noting that listed companies in Nigeria have not been showing awareness towards the benefits of such disclosure in its annual reports.

In disclosing information on human resources and employee relations, the variable of employee disclosure (empdisc 49%) indicates that on the average about 51% of the companies in this study do not disclose information concerning activities on human resources and employee relations in its annual reports which is an indication that most of the companies in this study have a low input towards investing in its employees and their corresponding information.

Corporate governance sustainability (proxy by board gender diversity) reveals that gender composition of the average corporate board in our study is not well balanced. We arrive at this conclusion due to the low value (11%) which represents female participation on the board during the period under review. This is not a good fit as this could mean that listed firms in Nigeria do not want to meet up with global best practices consequently benefiting from the inherent advantages. The statistics show that the ratio of female to male directors on the board is 11%. This is relatively not a welcome development as this result does not align with global best practices. It is indicative of the fact that there is less awareness of the importance of female participation in corporate board among listed firms in Nigeria.

Particularly, on the average and during the period under analysis, we find that the sampled companies exhibited a positive tobin q value (1.8). This indicates that market value of the firms during the period under review is encouraging. We also find that accounting performance variable of return on asset exhibited a positive position of 0.04 which means that for every one naira invested in fixed asset the firm received about 4k reward. Furthermore, the descriptive statistics showed that both performance indicators of return on asset (roa) and tobin q (tobin) experienced positive values which indicates that on the average company's' manager/agent ability to convert company's assets into profits both for stakeholder and shareholders is positive among the sampled companies during the period of analysis. Finally, the statistics showed that the variable of firm size (fsize) revealed a mean value of 7.2, a minimum value of 5 and a maximum value of 9.

Data Normality Test

Table 4.2 Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
emp_disc	181	0.99944	0.077	-5.879	1.00000
ehs_disc	181	0.99789	0.289	-2.842	0.99776
roa	181	0.91783	11.241	5.539	0.00000
bgen_div	181	0.95600	6.019	4.109	0.00002
tobin_q	181	0.74313	35.140	8.148	0.00000
f_size	181	0.97455	3.482	2.856	0.00215

Source: Researcher's Compilation, (2020)

From the results obtained above, we find that the independent variables of employee disclosure (1.0000) and employee health and safety disclosure (0.99776) are normally distributed while the variable of Return on Asset (0.0000) board gender diversity (0.00002) tobin q (0.00000) and firm size (0.00215) are **not** normally distributed.

Table 4.3 Panel Corrected Standard Error Model for Return on Asset

Variables	Employee Disclosure	Employee Health & Safety	Board Gender Diversity	Firm Size
Coefficient **t_ Statistics** **Probability_t**	0.015 (1.33) {0.183}	-.0.009 (-0.75) {0.452}	0.026 (0.36) {0.717}	0.058 (4.11) {0.000} ***

R^2 = 0.1121 Wald Test = 22.44 Probability = 0.0000

Note: t-statistic and probability t-statistics are represented in () and {} respectively
Where: * represents 1% level of significance**
Source: Authors' Computations (2019)

From the results obtained above we find that all the independent variables employed in this study were able to explain about 11% of the variation in the dependent variable. The remaining 89% is been captured in the error term. Furthermore, the probability value of F_Statistics showed that the overall model is best fit and good for policy recommendation.

Table 4.4 Panel Corrected Standard Error Model for Tobin Q

Variables	Employee Disclosure	Employee Health & Safety	Board Gender Diversity	Firm Size
Coefficient **t_ Statistics** **Probability_t**	-0.402 (-0.83) {0.407}	-.0.036 (-0.89) {0.372}	0.381 (0.76) {0.445}	0.154 (1.94) {0.052} **

R^2 = 0.10 Wald Test = 19.72 Probability = 0.0031

Note: t-statistic and probability t-statistics are represented in () and {} respectively
Where: * represents 1% level of significance**

From the results obtained above we find that all the independent variables employed in this study were able to explain about 10% of the variation in the dependent variable of Tobin Q as against 11% documented for return on asset model. This indicates that the independent variables of interest during the period under consideration were able to explain more of the variation in the dependent variable of return on asset. Furthermore, the probability value of F_statistics (0.0031) showed that the overall model is best fit and good for policy recommendation.

Discussion of Findings

In the context of employee health and safety sustainability disclosure Cooper and Cooper (2008) posit that such policies play a significant role in supporting firms' going concern hence, the working environment should be safe and workable. Owen (2007) assert that significant workplace environmental issues include health and safety, working conditions, training, bursaries and worker satisfaction. According to Micah, Ofurum and Ihendinihu (2012), the relationship between firms' profitability and employee health and safety information disclosure is positive. This implies that there is a high demand for human capital information to

stakeholders when reporting. Consequently, the authors noted that a good association with employees can result in better productivity, thereby reducing lawsuits expenses which will ultimately increase profitability (Callan &Thomas 2009). The results show an insignificant impact running from employee sustainability to both performance measures adopted for this study. However, this finding is in line with the position of Eleanor et al. (2005), who noted that the number of companies with standalone corporate sustainability report across the continent of Asia is very low revealing a relatively low level of commitment towards corporate sustainability issues.

Our result indicates that only about 49% of the sampled companies engaged in employee sustainability disclosure during the period under review. Hence the results show strong tie with those of Cecil (2010), Sotorrío and Sánchez (2008), who noted that the extent of corporate sustainability disclosure as it relates to employee dimension, are relatively poor in North America. In the same direction, we find similar results with those of Vuontisjrvi (2006) in Finland who opined that issues on employee disclosure are still at a primitive stage. Hence in this study we express strong concerns for lack of employee sustainability disclosure on issues such as employee's human right, welfare, work-life balance and disclosure on physically challenged employees. Our findings denote low level of corporate sustainability initiatives on employee affairs which can also be attributed to the concluding results documented by Day and Woodward (2004), Adams and Harte (1998) who noted that poor employee disclosure and lack of disclosure integrity may endanger corporate value.

Furthermore, the insignificant effect of corporate governance sustainability on both performance measures signifies a weak linkage. This result contradicts the findings obtained from the studies of Haryono and Paminto (2015), Ioannou and Serafeim (2014), Bubbico et al (2012) and Gull et al (2013) who document that corporate governance disclosure has a significant effect on financial performance. It also negates the finding of Fallatah and Dickins (2012) who posited that corporate governance characteristics significantly relates to firm value measured by Tobin Q, leads to substantial growth specifically to increase shareholder's wealth, economic value of the firms with higher productivity and lower risk (Hermalin & Weisbach, 2003; Walumbwa & Lawler, 2003). However, on the other hand, the result of this study confirms the finding of Aggarwal (2013) who noted that corporate governance sustainability disclosure has an insignificant impact on profitability. Corporate governance elements are treated as the organization's checks and balances system because strategic policy regarding sustainability disclosure is imperative to management. Therefore, weak corporate governance results in lower market visibility and higher agency costs (De Villiers et al, 2011).

Our findings is also consistent with that of Mahmood (2018), Khan, (2013), Ullah, Rahman (2015) whose findings suggest that, in developing countries such as Nigeria, corporate governance is relatively weak and problematic due to the lack of stakeholders' engagement, family controlling businesses, lack of the rule of law, less corruption control, political interference, weak institutional environment, and the absence of knowledgeable people. The author pointed out that a good corporate governance system is an essential element that optimizes the performance of a business in the best interests of shareholders, consequently limiting agency costs and favoring the survival of corporations. The governance of corporate responsibility means that the company has specific systems for sustainability management.

Recommendations

We suggest that corporate managers should focus on policies that increase employee disclosure if they aim to improve short run performance (ROA) as well as long run performance (Tobin Q). Likewise, for the variable of employee health and safety disclosure, we recommend a 'policy shift' in the sense that managers may need to refocus and turn away policy attention from this direction. We proffer this recommendation since our analysis reveals a statistically weak effect on running from the variable of employee health and safety to firm performance during the period under investigation. Again we find an insignificant effect on the dependent variable of firm performance from the independent variable of governance sustainability; hence our recommendation in this direction is that valuable financial, material and human resources should be channeled less on policies that relates to improving governance sustainability if the desire is to gain improved return on asset or improved firm value.

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