**Journal of Economics, Finance and Management Studies**

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 09 Issue 04 April 2026

Article DOI: 10.47191/jefms/v9-i4-33, Impact Factor: 8.735

Page No: 2033-2046

# Sustainability Reporting and Firm Value in Nigeria: Does Audit Quality Strengthen the Relationship?

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**ABSTRACT**: This study examines the impact of sustainability reporting on firm value of listed consumer goods firms in Nigeria, with particular emphasis on the moderating role of audit quality. Panel data was obtained from the annual reports of 20 listed consumer goods firms over a ten-year period (2015–2024). Robust regression model was employed to take care of the presence of heteroskedasticity confirmed in the diagnostic test. The findings reveal that the governance and social disclosures had positive and significant effect on firm value, meanwhile, environmental disclosures showed weak and insignificant effect. The audit quality proxied by auditor rotation, not only has a significant and positive effect on firm value but also increases the effect of governance and social disclosures on firm value, and was able to increase the positive relationship of environmental disclosures but still insignificant effect. The findings indicate the significance of credible sustainability practices and high audit quality in enhancing long-term firm value. The study provides practical implications for corporate governance, investor confidence and regulatory policy by emphasizing the need for stronger ESG disclosure frameworks and improved audit assurance mechanisms.

**KEYWORDS:** Audit quality, Audit Rotation, ESG Disclosures, Firm value, Nigerian Consumer Goods Firms, Sustainability reporting.

## 1.0 INTRODUCTION

Firm value has significantly broadened beyond its historical core in the shareholder wealth and the historical firm value has been mainly measured in terms of financial measures like profitability, earnings per share and market capitalization measures which were majorly in terms of shareholder interests. Nevertheless, the modern-day views and especially those based on stakeholder theory claim that the value of a firm is a multidimensional construct that is influenced by the relations with various stakeholders like employees, suppliers, customers, regulators, and society in general (Al-Shaer, 2020). Stakeholders like firm value are not only valued as a financial performance, but it is a multidimensional construct that shows the capacity of the company to produce sustainable economic, social, and environmental returns (Onoh et al. 2023). The value of the firm has various implications to various stakeholders. To investors, firm value is a long-term viability and a payback period. It is taken as a job security, career development as well as the stability of an organisation to employees. Trustworthiness, quality, and ethical conducts are associated by the customers with high firm value. Communitarians and regulators expect it as a sign of responsible corporate citizenship and adherence to social standards. Nevertheless, due to the prevailing global demand of corporate accountability, the use of sustainability related activities has become a strategic necessity to companies that seek to create long term value. Sustainability reporting (SR) that includes the disclosures regarding the environmental, social, and governance (ESG) practices is no longer perceived as a compulsory or legal factor. Instead, it is considered to be a significant means of increasing corporate transparency, creating stakeholder trust, and, finally, increasing firm value (Atanda et al., 2021)

The process of reporting sustainability is one of the ways through which company convey their environmental and social effects, governance systems and ethical promises. It is based on the already proven theoretical practices like stakeholder theory and legitimacy theory that argue that companies should align their activities with the values and expectations of society to continue being legitimate and maintaining the support of the stakeholders (Abeysekera, 2023; Permatasari & Tjahjadi, 2024). In practice, sustainable reporting (SR) is commonly reflected in Environmental, Social, and Governance (ESG) measures, corporate social responsibility (CSR) reporting or integrated reporting (IR). It has become common to have increased demands on transparency and accountability by different stakeholders and in this regard, the role of audit quality (AQ) has grown in importance to enhance the credibility of sustainability disclosures. Good quality audits can diminish the information asymmetry and greenwashing,

improve the reliability of the presented information, and are an important management tool that will remind stakeholders that the firm is telling the truth regarding its sustainability (Abiloro et al. 2025; Butar-Butar, 2025; El-Deeb et al., 2023). Typical indicators of audit quality (AQ) are independence of auditors, professional experience and reputation. In its turn, the quality of audit tends to be viewed as a moderator that enhances the connection between sustainability reporting and firm value (Butar-Butar, 2025; El-Deeb et al., 2023).

Despite the global trend of sustainability and the growing adoption of Environmental, Social, and Governance (ESG) standards in corporate strategies, the scope of the sustainability reporting (SR) in improving firm value has not been studied in most of the developing economies, particularly Nigeria. The listed industrial sector in Nigeria has a greater gap in this context with the interests of various stakeholders such as the investors and the regulating bodies, the employees and even the general population demanding credible, transparent, and decision relevant sustainability information. More worrying is the inconsistency and generally superficial implementation of sustainability reporting models in the Nigerian listed Consumer goods companies, which damage the comparability and effectiveness of such disclosures in shaping the value of the firm (Mgbobi et al., 2024)

This is a problem of both lax regulatory standards, low audit quality and enforcement of sustainability standards. Even though, the Nigerian Exchange Group (NGX) has provided provisions on sustainability disclosure, the voluntary aspect of it introduces a wide variation in the reporting depth and accuracy. In addition, the quality of audit assurance of non-financial reports is usually undermined, which reduces the credibility of reported data and raises the question of their credibility (Okolie, 2025). This undermines trust in the stakeholders and lowers the perceived effectiveness of sustainability on the value of firms.

A growing amount of empirical evidence supports the affirmation of a positive correlation between sustainability reporting (SR) and firm value in different industries and geographies. For example, Onoh et al. (2023) and Atanda et al. (2021) have shown that sustainability disclosures play an important role in improving the value of firms in the oil and banking industry in Nigeria. Likewise, Yondrichs et al. (2021) and Nguyen (2022) record a beneficial influence of sustainability reporting on the performance of firms in the Southeast Asian economies, including Indonesia and Vietnam. These researches are however sector-specific or region-bound to a large extent thereby providing minimal generalization in the large-scale industrial picture of Nigeria. More importantly, the moderating factor of audit quality has not been sufficiently examined especially in the listed industries in Nigeria. The identified limited studies that have taken into consideration the efficacy of the audit quality was carried out by Butar-Butar (2025) and El-Deeb et al. (2023), whereas, these were carried out in Indonesia and Egypt. This is a huge gap because the quality of an audit might either enhance or diminish the effect of the SR on firm value by creating or creating the perception of credibility of reported sustainability information (Iredele et al., 2020; Okolie, 2025). Studying this gap is important to form more in-depth understanding of it, which can be applied in the formal corporate setting of Nigeria, particularly in the case of the publicly traded companies such as consumer goods sector.

By identifying these gaps, this research aims at rigorously investigating the effects of sustainability reporting on the value of firms with particular consideration on the moderating effects of audit quality which plays a significant role in determining the believability of the disclosed sustainability information. Based on the theories of stakeholder and signaling, the study attempts to provide a more integrated and context rationalized insight on the role played by credible sustainability practices in promoting corporate financial performance in varied industrial environments. Also, current empirical research in Nigeria has mostly concentrated on the particular industries like banking or oil and gas (Atanda et al., 2021; Onoh et al., 2023), thus neglecting the rest of the listed manufacturing industry, including the consumer goods sector that play a huge influence on the economy and environment. It is against this background that this study is needed and it seeks to address a major gap in determining the effect of sustainability reporting on firm value of the listed consumer goods in Nigeria, and the extent to which audit quality enhances this relationship. This contributes not only to academic discourse but also offers practical implications for corporate governance, investor protection, and regulatory development. The study supports the broader goals of the Triple Bottom Line (People, Planet, Profit) by advocating for sustainability strategies that create long-term value for multiple stakeholders.

## 2.0. LITERATURE REVIEW

This section deals with reviews of extant literatures in terms of concepts and prior literatures alongside with the review several theories that underpinned this study.

### 2.1. Conceptual Review

Different concepts as it relates to this study such as firm value, sustainability reporting which was explained by environmental, social and governance disclosures were conceptualize as follows:

### 2.1.1. Firm Value

Firm value is a multidimensional concept that demonstrates the total net worth of a business organisation as determined by diverse stakeholders, such as investors, creditors, regulators, employees, and the society, in general. Traditionally, firm value has been conceptualized in financial terms, and the key financial metrics include Tobin Q, Earnings per Share (EPS), and Market Capitalization (Fonseka, et al., 2020; Chen et al., 2023). They are used to give an idea of the profitability of a firm, efficiency in its operations, and potential growth in the future, which are the foundation of decisions by investors and corporate valuation.

Meanwhile, in the changing context of corporate governance and sustainability, the firm value has gotten extended to consider a wider range of stakeholder interest. Investors are increasingly focusing on financial performance; however, they have come to focus on non-financial revenues, including the environmental impact of a firm, social responsibility, and governance practices (ESG). Companies that successfully implement sustainability in business strategies are likely to be interested in long-term investors as they appreciate ethical and risk-averse investment portfolios (Fatemi et al., 2020; Musallam, 2024).

To the creditors, the value of a firm summarizes the capacity of a company to pay its debts. A high firm value attracts financial stability and therefore it is easy to obtain credit facilities at optimal conditions. In contrast, regulators and policymakers understand firm value in the perspective of economic contribution, tax compliance, and social impact. Companies with a high value creation rate, particularly those that create jobs, innovations, and ecological care, obtain a better chance of being favoured by policy subsidies and government contracts (Owolabi, 2022).

The internal stakeholders and employees value the firm as having firm value in terms of job security, payment and the viability of the company in the long term. A company with a high financial capacity and ethically controlled organisation would tend to invest in human capital, nurture the well-being of the workforce, and offer them a chance to thrive professionally. Societies and civil society determine the value of the firms on things outside the firm like environmental destruction or community building as a result of corporate operations. Therefore, a company with profitability, social responsibility, and environmental responsibility is thought to value better in the long-term (Eccles and Klimenko, 2019).

Besides, the growing focus on the stakeholder theory in the academic and business literature has refocused the value of firms as a collective gain of stakeholder satisfaction, rather than as the maximisation of shareholder wealth. According to Harrison et al. (2020), all stakeholders of a firm or those who are influenced by the operations of a firm co-create value. This enlarged view is in line with the ideals of the Triple Bottom Line (People, Planet, Profit) and the Integrated Reporting (IR) model, which are demanding that financial and non-financial performance indicators need to be integrated in value measurement.

### 2.1.2 Sustainability Reporting (SR).

Sustainability reporting (SR) has turned out to be a strategic tool whereby companies report on their environmental, social and governance (ESG) practices in an attempt to report their dedication towards sustainable development and ethical corporate operations. Since ESG considerations are currently affecting investor behaviour and regulation frameworks, SR has become a staple of corporate disclosure and responsibility (Butar-Butar, 2025).

The widely used models, which include the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and the Integrated Reporting (IR) Framework, are designed to guide companies to report on key sustainability-related concerns. Revised in 2021 and becoming effective in 2023, the GRI Standards focus on human rights and value chain effects and strengthen the significance of the stakeholder inclusivity and industry-related disclosures. In the meantime, SASB Standards (now overseen by the International Sustainability Standards Board (ISSB). provide industry metrics that bring ESG disclosures in line with financial materiality. IR Framework, which the IFRS Foundation has managed since 2022, is an amalgamation of both financial and non-financial data, intended to show how organisations generate value in the long term (Onoh et al., 2023).

Although these frameworks are designed to aid transparency and instill trust amongst the stakeholders, the quality of sustainability reports is highly reliant on the disclosed information that is consistent, accurate, and valid. Without a solid assurance and normalized metrics, it will likely turn into mere gestures instead of deep consideration of corporate responsibility (Atanda et al., 2021). With the heightening regulatory demands like Corporate Sustainability Reporting Directive (CSRD) of the EU and California Climate Accountability Package which are obliging companies to become more consistent with the compulsory presence of ESGs reporting firms are now moving away voluntary reporting and towards mandatory compliance.

These disclosures are designed to improve transparency, enhance the trust of the stakeholders, and long-term value creation. Nevertheless, the success of sustainability reports in meeting these objectives is mainly determined by the quality of consistency, accuracy, and credibility of the data revealed. In the absence of these, the sustainability reports can be regarded as a heartless but a showy gesture instead of a sincere assessment of the corporate accountability.

### 2.1.3 Audit Quality (AQ)

Audit quality (AQ) is defined as the level at which an audit is being effective in terms of identifying and reporting material misstatements in disclosures of a firm. Audits quality can be described as independence of the auditors, technical proficiency,

professional standards compliance and the prestige of the auditing firm (Butar & Itan, 2025). AQ is also central to reporting of sustainability as a way of improving credibility, reliability, and completeness of reported environmental, social, and governance (ESG) information. With sustainability disclosures taking a more central role in corporate transparency, assurance services by auditors are used to reduce information asymmetry and create trust among stakeholders (Abiloro et al., 2025).

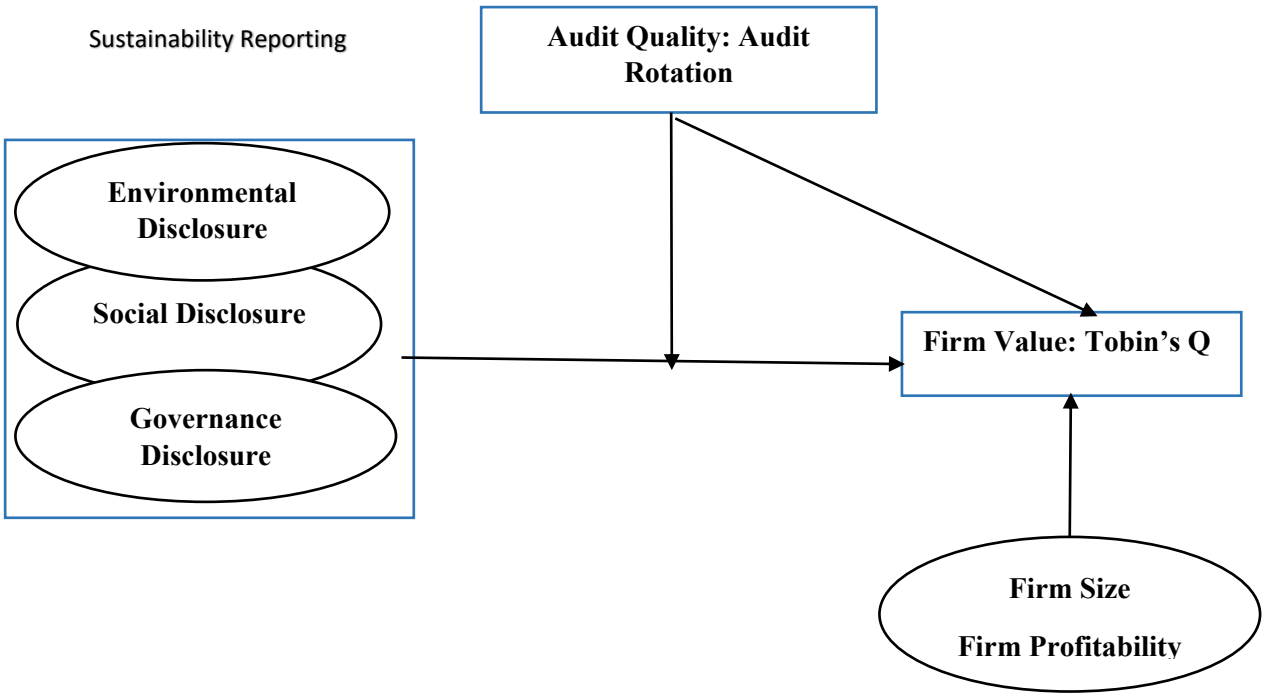
Audit quality has a strong moderating effect on the nexus between sustainability reporting and firm value, where an increase in AQ increases the positive effect that ESG disclosures have on investor confidence and market performance (El-Deeb et al., 2023; Vaihekoski & Yahya, 2025). This is specifically applicable to emerging economies, where institutional pressure and effectiveness of audit committees give additional influence on the credibility of the sustainability disclosures (Elmanaseer & Gerged, 2025).

AQ in terms of audit rotations can enhance the quality of financial reporting and lessen earnings management and protect financial and non-financial reporting integrity (Lawal et al., 2025; Ogiriki and Egberibin, 2023). Reporting transparency is further improved by the fact that there is increased tenure of auditors (Yayangida et al., 2023). Moreover, companies that have quality-based audits have more chances to align their sustainability initiatives with other global standards, including the GRI Standards, thus, playing their role in meeting the Sustainable Development Goals (Yusuf, 2025). Bezverkhyi et al. (2025) applied the same analysis to a more European context and found that audits that comply with the international standards add a value of strategic importance to sustainability disclosures. Their research highlighted that the incorporation of economic, social, and environmental indicators into audited reports allows the stakeholders to have more correct and useful information and, ultimately, make superior decisions and values within the corporate.

Finally, audit quality is the foundation of believable sustainability reporting that supports corporate responsibility and allows stakeholders, such as investors, regulators, and the civil society, to make wise decisions. Audit quality is essential in the changing environment of corporate sustainability as ESG consideration keeps affecting the firm valuation and strategic direction (Friske et al., 2023; Thompson et al., 2022).

**2.1.4. Conceptual Framework**

Drawing from this conceptual review, the conceptual framework for the study is presented in figure 2.1. This framework presents the links between variables and justifies the first model on the effect of sustainability reporting (ESG) on firm value. The second model on the effect of audit quality on firm value. The third model on the moderating effect of audit quality on the relationship between Sustainability reporting and firm value.




**Source:** Author's Design (2026)

**Figure 2.1 Conceptual Framework**

**2.2. Theoretical Review**

This study is anchored on two main theories which are the stakeholders' and the signaling theories. These are discussed as follows:

### 2.2.1. Stakeholders' Theory

The stakeholder theory, which was proposed by Freeman (1984), holds that business enterprises ought not only to benefit the stockholders but also every stakeholder. Stakeholders include any individual influenced by the activities of the company like the employees, customers, suppliers, regulators, communities and the environment When firms attentively listen to stakeholders and report on sustainability through sustainability reports, the firms have higher chances of gaining social licence to operate, improve reputation and create competitive advantage. The stakeholder's theory has evolved to be one of the main considerations in examining business ethics and has played a study and publication hub within the research and publication of numerous scholars, including those who appear on this site (Harrison et al., 2020).

The emergence of the theory in the 1980s has seen its popularity increase significantly and in the present day, the theory is still debated by scholars worldwide as to whether focusing on the wealth of shareholders as the most basic aim of business is sustainable. Proclaims that an organisation must not simply consider the owners of the company and profitability but take good care of the society, environment and the economy it operates in. The adoption and implementation can be viewed as an instrument of receiving permission to act in the society and evading adverse movements by the pressure groups (Ara and Harani, 2023). It solves the problem of the poor awareness regarding the benefits of CSR (Harrison et al., 2020). Besides, the stakeholder theory can be used in the perspectives of sustainability reporting to justify why companies prefer to report non-financial information.

The stakeholder theory is based on the assumption that companies are to act in the interests of a wide group of stakeholders whether it is employees, customers, communities or environment and not only the shareholders. Sustainability reporting resonates with this view since it tries to cover those non-financial issues that are material to these groups. Companies reporting ESG are considered to be attentive to the needs of the stakeholders and more valid in the minds of people.

### 2.2.2 Signaling Theory

Signaling theory was first proposed by Spence (1973) as the explanation of how more information (insiders) parties transmit this information to less-informed parties (outsiders) to alleviate information asymmetry. Initially developed in the labour markets, where educational qualifications are used to indicate the productivity of the job applicants, the theory has since been extensively applied to the practices of corporate disclosure, such as sustainability reporting. Signaling theory offers a good understanding in the context of corporate ESG (environmental, social, and governance) disclosure whereby companies can signal to the external parties, including investors, regulators, and customers, about their internal intent to be sustainable when it is not possible to directly observe their sustainability performance.

With this, sustainability reports are strategic indicators that create less uncertainty and increase the perceived transparency and legitimacy of the firm. These disclosures are specifically relevant in industries where there is a lack of regulatory controls or ESG effects are indirect or long term. This application of signaling theory is empirically supported by recent work by Friske et al. (2023), which shows that sustainability reporting, at first, is a costly signal, such as expensive investment of resources, data systems, and managerial focus, but with time, there is a positive effect on firm valuation. The study particularly established that externally assured sustainability disclosures had a substantial elevation of their signaling strength, with the heightened credibility and a beneficial impact on firm value, particularly calculated using prospective indicators such as Tobin Q.

Moreover, the communicative aspect of sustainability reporting is further amplified within the industries, where the publicity of the industry is low or where the mandatory reporting of the ESG is low, thus the firms need to take the initiative and demonstrate through communication, ethical and responsible behaviour to earn the trust of the stakeholders. This signaling mechanism is further institutionalized by the move to voluntary to mandatory disclosure systems like the Corporate Sustainability Reporting Directive (CSRD) of the European Union, as these directives standardize expectations on ESG and reduce the variation in the quality of reporting across companies. Through that, reporting in these frameworks' ceases being a compliance mechanism but is a strategic differentiation and legitimacy building mechanism.

Signaling theory within the context of the current study gives a significant theoretical basis on which sustainability reporting and firm value are related. It implies that not only the number of disclosures but also the quality, credibility and the relevance of the disclosures to the context determine the effectiveness of sustainability reporting. Companies that demonstrate a commitment to ESG by providing consistent, credible and assured reporting have a greater likelihood of gaining increased investor trust, greater reputational capital and better long-term financial results.

### 2.3. Empirical Review

El-Deeb et al. (2023) confirms that sustainability reporting is positively related to the value of firms in developed markets, particularly when the firm is third-party assured. Likewise, Vaihekoski and Yahya (2023) established that audit quality drastically increases the quality of ESG disclosures that further increases investor reactions and company worth. Onoh et al. (2023) in Nigeria discovered a positive correlation between sustainability reporting and firm value among listed companies in the country. The

study however, observed that the limited influence of the unaudited reports on investor perceptions was experienced. In Southeast Asia, Butar-Butar (2023) underlined that Big Four audit firms could increase the credibility of sustainability disclosures, which was reflected in the firm value.

Reports of the relationship between the quality of audits and firm value have continued to get more empirical studies especially in emerging markets as in the case of Nigeria. In research of the Nigerian deposit money banks, Ikeji et al. (2024) established that the audit fees affected the earnings per share (EPS) and liquidity with statistical significance, but there was no statistical effect on the net income. It has stressed in the study that quality audit services, which are implied by fair audit charges, may increase investor confidence which eventually leads to an increase in firm value reflected in the strengthening of market perception and financial position.

Ivungu et al. (2019) performed an extensive literature review of audit quality and firm performance, including the international and Nigerian studies. The review showed both positive and negative results. Whereas some studies had identified significant positive relationship between the quality indicators of audit quality, including independence of auditors, size of audit firm and audit tenure and firms' performance, others have recorded either insignificant or even negative relationship. Among the important lessons learned during the review was the fact that most Nigerian research usually focuses on one aspect of financial performance or market-based measures as opposed to taking a holistic approach to firm value. However, there was an overall agreement that the quality of the audit was very important in regaining the trust of the stakeholders and firm value.

By citing the evidence in the UK, Al-Shaer (2022) proves that companies whose sustainability reporting is of high quality have less chance to mismanage their earnings. The paper also reveals that the level of audit effort as measured by audit fees is a moderating variable- the more a company invests in the strength of the audit, the more likely that firm will generate better financial and non-financial disclosures. This highlights the fact that sustainability reporting quality is not an isolated fact of regulatory compliance, but it is part of a larger organisational image of transparency and accountability. The practices help to mitigate audit risk and enhance the quality of post-audit financial reporting.

Still focusing on the European region, Bezverkhyi et al. (2025) performed their study on the auditing of sustainability reports in EU member countries. Their results emphasize the need to comply with international standards and rigor in the methodology of ensuring the sustainability disclosures. Successful audits of integrated economic, social and environmental indicators will enable the stakeholders to be in possession of more precise information hence leading to favourable decision making and strategic planning of the corporate.

In a study conducted in the United Kingdom, Al-Shaer (2020) discovered that companies that had high quality in their sustainability disclosures were considerably less prone to the implementation of earnings management. Most significantly, the connection was also mediated by the audit quality that has been measured in the form of audit fees, which suggests that the firms that invest in strict and thorough audit procedures are more likely to create credible and transparent disclosures on the sustainability. The paper has found that quality sustainability reporting is an indicator of the greater willingness of an organisation to disclose and be accountable, and this leads to less audit risk and reducing the concerns of auditors. On broader scale, European context, Bezverkhyi et al. (2025) studied the sustainability reporting audit in the countries of the European Union. They found that the combination of economic, social and environmental indicators audited in line with international standards is very important towards improving the quality of sustainability reports and the strategic usefulness of the disclosed reports. The research highlighted that the quality of audits mainly due to the provision of external assurance and adherence to internationally accepted standards allow the stakeholders to make more informed and confident decisions.

More evidence on this correlation is that Hichri (2023) affirmed that there is a positive and significant relationship between environmental auditing, audit quality, and integrated reporting. This implies that environmental audits are not only used in a compliance or normal role but they play significant role in the audit process and quality of sustainability disclosures, which supports the strategic significance of sustainability assurance. An example of a Nigerian setting also confirms this dynamic. The findings of a recent study (2024) revealed that the quality of an audit can greatly moderate the correlation between board diversity through female directors, in particular, and quality of sustainability reporting. In the study, it was found that reasonable audit fees, as well as presence of financially literate board members, are part of more transparent and stakeholder responsive sustainability reporting.

Despite the increasing interest in sustainability reporting, empirical evidence on the moderating role of audit quality in emerging economies remains limited. Particularly within the Nigerian consumer goods sector, few studies have jointly examined ESG disclosures and audit quality in explaining firm value.

## 3.0. METHODOLOGY

### 3.1. Research Design

Correlational research design was adopted in this study because the study examines the relationship between two or more variables without manipulation. The study population was 20 Consumer goods firms listed on the Nigerian Exchange Group (NGX) as of 31st December, 2024. Given the averagely manageable size, the study employed census sampling technique, whereby all listed firms within the sector were included in the analysis. The study covers a ten-year period from 2015 to 2024, providing a balanced panel dataset of 200 firm-year observations. Secondary data were extracted from the annual reports and financial statements of the sampled firms. Sustainability disclosure data were obtained through content analysis based on Global Reporting Initiative (GRI) standards. Panel regression analysis was used to estimate the relationships among the variables. Diagnostic tests were conducted to evaluate the suitability of the regression models. The Breusch-Pagan/Cook-Weisberg test revealed the presence of heteroskedasticity; therefore, robust regression estimation was employed to obtain consistent standard errors.

**3.2. Model Specification**

**Model 1:** Does Sustainability Reporting have a positive impact on firm's value?

$$TOBQ_{it}=\beta_0+\beta_1 ENVD_{it}+\beta_2 SOCD_{it}+\beta_3 GOVD_{it}+\beta_4 FSIZ_{it}+\beta_5 FPRO_{it}+\epsilon_{it}.....(i)$$

**Model 2:** Does Audit Quality have a positive impact on firm's value?

$$TOBQ_{it}=\beta_0+\beta_1 AUQY_{it}+\beta_2 FSIZ_{it}+\beta_3 FPRO_{it}+\epsilon_{it}.....(ii)$$

**Model 3:** Does Audit Quality moderate the relationship between Sustainability Reporting and firm's value?

$$TOBQit = \beta_0 + \beta_1 ENVD_{it} + \beta_2 AUQY_{it} + \beta_3 (ENVD*AUQY)_{it} + \beta_4 FSIZ_{it} + \beta_5 FPRO_{it} + \epsilon_{it} \quad (iii_a)$$

$$TOBQit = \beta_0 + \beta_1 SOCD_{it} + \beta_2 AUQY_{it} + \beta_3 (SOCD*AUQY)_{it} + \beta_4 FSIZ_{it} + \beta_5 FPRO_{it} + \epsilon_{it} \quad (iii_b)$$

$$TOBQit = \beta_0 + \beta_1 GOVD_{it} + \beta_2 AUQY_{it} + \beta_3 (GOVD*AUQY)_{it} + \beta_4 FSIZ_{it} + \beta_5 FPRO_{it} + \epsilon_{it} \quad (iii_b)$$

Where:

TOBQ = Tobin's Q
ENVD = Environmental Reporting
SOCD = Social Reporting
GOVD = Governance Reporting
AUQY = Audit Quality
FSIZ = Firm Size
FPRO = Firm Profitability
$\epsilon$ = error term;
i = firm,
t = time (2015–2024)

A Priori Expectation: $\beta 1, \beta 2, \beta 3, \beta 4, \beta 5 > 0$; implying that audit quality, stakeholder engagement, the interaction between the two, and control variables positively impact financial reporting quality.

**Table 3.1 Description of Variables and Measurements**

| Variable | Type | Measurement | Literatures |
|---|---|---|---|
| Tobin's Q (TOBQ) | Dependent | Market capitalization + total liabilities – cash divided by total assets | Zhang et al. (2020) |
| Environmental Reporting (ENVD) | Independent | Average of total index score (TOD) obtained for all environmental indicators in a dimension / number of indicators in environmental sustainability dimension. | GRI (2021); Atanda et al. 2021 |
| Social Reporting (SOCD | Independent | Average of total index score (TOD) obtained for all social indicators in a dimension / number of indicators in social sustainability dimension | GRI (2021); Atanda et al. 2021 |
| Governance Reporting (GOVD) | Independent | Average of total index score (TOD) obtained for all governance indicators in a dimension / number of indicators in governance sustainability dimension | GRI (2021); Atanda et al. 2021 |
| Audit Quality | Moderating | Composite index including: 1. Auditor Independence (binary: 1 if auditor rotated within 5 years, 0 otherwise). | Kajola et al., 2021 Yayangida et al., 2023. |

| | | | |
|---|---|---|---|
| Firm Size (FSIZ) | Control | Size of the firm (Log of total assets) | Lawal et al., 2025; Ogiriki & Egberibin, 2023. |
| Firm Profitability (FPR) | Control | Return on asset: ratio of profit for the year to the company's total assets. | Madugba et al., 2021 |

**Source:** Authors' Compilation 2026

### 4.1. Interpretation of Results and Test of Hypotheses

#### 4.1.1. Descriptive Statistics

**Table 4.1. Descriptive Statistics**

| Variable | Obs. | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **TOBQ** | 200 | 1.774 | 1.619 | 0.120 | 9.290 |
| **ENVD** | 200 | 0.147 | 0.246 | 0.000 | 1.000 |
| **SOCD** | 200 | 0.367 | 0.190 | 0.000 | 1.000 |
| **GOVD** | 200 | 0.409 | 0.193 | 0.010 | 0.750 |
| **AUQY** | 200 | 0.770 | 0.422 | 0.000 | 1.000 |
| **FSIZ** | 200 | 7.887 | 1.080 | 5.420 | 10.070 |
| **FPRO** | 200 | 0.066 | 0.108 | -0.189 | 0.432 |

**Source:** Authors' Computation (2026)

This Table 4.1. discusses the descriptive statistics of all the variables included in this study. The total observation was 200 that was acquired due to 20 sampled firm in 10 years' time series (Table 4.1). All these variables were studied by taking into consideration the mean, minimum, maximum and standard deviation values of the variables as depicted in Table 4.1. Table 4.1., Firm Value calculated by applying TOBIN Q which measure the ratio of market value of the company yielded an average value of 1.774, this is showing that on average, most of the sampled companies have a market value that is higher by 77.4 percentage of the replacement cost of the firms over the periods used. This is one pointer that the future growth and profitability of these firms could be high as expected by investors. Meanwhile, Table 4.1. revealed that it is within the range of 0.12-9.29 percent, this implies that there is a huge fluctuation in the market value as compared to the replacement value. Table 4.1. shows a standard deviation of 1.619 which means the degree of deviations in the chosen companies and that the value of Tobin q is not the same but varies considerably around the mean.

In evaluating the sustainability reporting as practiced by ESG disclosures level as proposed by GRI. Table 4.1. of ENVD, SOCD and GOVD indicated that it is averagely 14.7%, 36.7% as well as 40.9%, standard deviation is 24.6, 19 percentage respectively and minimum and maximum values are 100, 100 and 75 percent respectively. This is a sign that there is more disclosure of governance information on average than there is of the Social and that of Environmental which have the lowest disclosure rate. Table 4.1. in the evaluation of the Audit Quality (AUQY) showed the average value of auditing quality to be 0.77 and standard deviation, the minimum and maximum value to be 0.42, 0.0 and 1 respectively. It is a sign that 77 percent of the sampled firms switch auditors within the required period in order to increase the degree of independence. Table 4.1. showed that the control variable firm size (FSIZ) takes the average of 7.89, with the standard deviation of 1.08, minimum and maximum value of 5.42 and 10.07 respectively. Although that of firm profitability (FPRO) showed it to be on average 6.6, the standard deviation, minimum and maximum value is 0.11, -0.19 and 43.24% respectively.

#### 4.1.2. Variance inflation factor

**Table 4.2. Variance inflation factor**

| | VIF | 1/VIF |
|---|---|---|
| **SOCD** | 1.650 | 0.606 |
| **GOVD** | 1.373 | 0.728 |
| **ENVD** | 1.335 | 0.749 |
| **FSIZ** | 1.128 | 0.887 |
| **FPRO** | 1.052 | 0.951 |
| **AUQY** | 1.034 | 0.967 |
| **Mean VIF** | 1.262 | . |

**Source:** Authors' Computation (2026)

Multicollinearity exist when the explanatory variables in a multiple regression analysis cross correlated. As stated by Shrestha (2020), the presence of multicollinearity dismantles the assumption of no linear dependence in multiple regressions between explanatory variables. This study makes use of variance inflation factor to ascertain the extent of multicollinearity of variables. Shrestha (2020) revealed that VIF that is higher than 10 (when VIF>10) is an indication that regression coefficients are projected weakly with multicollinearity existence. Table 4.2 showed the multicollinearity test result of all the variables and revealed that the mean value of the VIF was 1.262 which is less than that of 10 benchmarks. This is an indication that the explanatory variables do not have multicollinearity issues.

**4.1.3. Heteroskedasticity Test**

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Tobin q

**chi2(1) = 60.84**

**Prob > chi2 = 0.0000**

Where the probability assessment is greater than 0.05 from the test for heteroscedasticity, this is an indication that the model suffering from the existence of unequal variance (Shrestha, 2020). The appearance of heteroscedasticity in this model confirms the adoption OLS outcomes which engender the use of Hausman test of fixed and random effects might not be fit for this study. There is certainly a need for robust or weighted least square regression. This study model failed this test since the probability figure is less than 5% which revealed a presence of heteroskedasticity. Therefore, a robust regression is adopted to correct this error.

**4.1.4. Test of Hypotheses**

**Model 1: Does Sustainability Reporting have a positive impact on firm's value?**

**Table 4.4. Effect of Sustainability Reporting on firm's value?**

| | (1) | (2) |
|---|---|---|
| | **OLS** | **Robust** |
| **ENVD** | -0.497 | -0.024 |
| | (0.325) | (0.909) |
| **SOCD** | 0.871 | 0.838*** |
| | (0.232) | (0.006) |
| **GOVD** | 2.287*** | 0.821*** |
| | (0.000) | (0.003) |
| **FSIZ** | 0.156 | 0.118*** |
| | (0.141) | (0.008) |
| **FPRO** | -1.988 | -0.558 |
| | (0.053) | (0.193) |
| **_CONS** | -0.508 | 0.269 |
| | (0.534) | (0.433) |
| **Observations** | 200 | 200 |
| **R-squared** | 0.145 | 0.291 |
| ***p-values are in parentheses*** | | |
| ****** p<.01, ** p<.05*** | | |
| **Source: Authors' Computation (2026)** | | |

Table 4.4., ENVD negatively influences the value of firms with a co-efficiency and probability value of -0.024 (0.909). Which show that the increase in a unit of environmental disclosure would lead to a unit decrease in firm value, but insignificant. Thus, the null hypothesis according to which environmental disclosures (one of the proxies of sustainability reporting) is not positively significantly related to firm value is accepted. SOCD on the other hand significantly affect the firm value with co-efficient and probability value of 0.838 (0.006). Which implies that 1 unit of social disclosure would result in 0.838 units increase in the value of the firm. Thus, the null hypothesis according to which there is no positive significant influence of social disclosures (one of the

proxies of sustainability reporting) on the value of the firm is rejected. In addition, there is a positive significant impact of GOVD on firm value with co-efficient and probability value of 0.821 (0.003). Suggest that a unit of increase in disclosure of governance would lead to an increase in firm value of 0.821 units. Therefore, the null hypothesis which stated that governance disclosures does not have a positive significant effect on firm value is hereby rejected.

**Model 2: Does Audit Quality have a positive impact on firm's value?**

**Table 4.5. Effect of Sustainability Reporting on firm's value?**

| | (1) | (2) |
|---|---|---|
| | **OLS** | **Robust** |
| **AUQY** | 0.153 | 0.681** |
| | (0.160) | (0.011) |
| **FSIZ** | 0.235** | 0.093** |
| | (0.025) | (0.030) |
| **FPRO** | -2.137** | -0.454 |
| | (0.041) | (0.286) |
| **_cons** | 0.582 | 0.586 |
| | (0.487) | (0.088) |
| **Observations** | 200 | 200 |
| **R-squared** | 0.070 | 0.235 |
| ***p-values are in parentheses*** | | |
| ****** p<.01, ** p<.05*** | | |

**Source:** Authors' Computation (2026)

From Table 4.5. AUQY have a positive significant effect on firm value with co-efficient and probability value of 0.681 (0.011). Which indicate that a unit increase in audit quality would bring about 0.681 units increase in firm value. Therefore, the null hypothesis which stated that audit quality does not have a positive significant effect on firm value is hereby rejected.

**Model 3: Does Audit Quality moderate the relationship between Sustainability Reporting and firm's value? Table 4.6.**

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| | **Robust** | **OLS** | **Robust** | **OLS** | **Robust** | **OLS** |
| **ENVD** | 0.391 | 0.884 | | | | |
| | (0.435) | (0.468) | | | | |
| **AUQY** | 0.149 | 0.553 | -0.446 | 0.941 | -0.400 | 0.027 |
| | (0.232) | (0.069) | (0.064) | (0.098) | (0.170) | (0.968) |
| **AUQY#C.ENVD** | 0.126 | -1.132 | | | | |
| | (0.814) | (0.385) | | | | |
| **FSIZ** | 0.097** | 0.242** | 0.097** | 0.169 | 0.092** | 0.177 |
| | (0.031) | (0.027) | (0.028) | (0.103) | (0.039) | (0.080) |
| **FPRO** | -0.570 | -2.119** | -0.600 | -1.360 | -0.620 | -1.653 |
| | (0.194) | (0.047) | (0.163) | (0.181) | (0.170) | (0.106) |
| **SOCD** | | | 1.345** | 5.263*** | | |
| | | | (0.011) | (0.000) | | |
| **AUQY#C.SOCD** | | | 4.472*** | 1.023 | | |
| | | | (0.002) | (0.084) | | |
| **GOVD** | | | | | 0.612 | 0.046 |
| | | | | | (0. 317) | (0. 932) |
| **AUQY#C.GOVD** | | | | | 3.496*** | -1.267 |
| | | | | | (0.004) | (0.360) |
| **_cons** | 0.609 | 0.442 | 0.986** | -0.861 | 0.652 | -0.577 |
| | (0.089) | (0.610) | (0.012) | (0.347) | (0.134) | (0.557) |
| **Observations** | 200 | 200 | 200 | 200 | 200 | 200 |
| **R-squared** | 0.039 | 0.273 | 0.058 | 0.254 | 0.061 | 0.259 |
| *p-values are in parentheses* | | | | | | |

| |
|---|
| **** p<.01, ** p<.05* |
| **Source: Authors' Computation (2025)** |

From Table 4.6. AUQY have a positive insignificant moderating effect on the relationship between environmental disclosure (Proxy for sustainability reporting) and firm value with co-efficient and probability value of 0.126 (0.814). Which indicate that a unit increase in audit quality would bring about 0.126 units increase in the relationship between sustainability reporting and firm value. Meanwhile, Table 4.6. showed that AUQY have a positive significant moderating effect on the relationship between social disclosure (Proxy for sustainability reporting) and firm value with co-efficient and probability value of 4.472 (0.002). Which indicate that a unit increase in audit quality would bring about 4.472 units increase in the relationship between sustainability reporting and firm value. Lastly, From Table 4.6. The relationship between the governance disclosure (Proxy of sustainability reporting) and the firm value has a positive significant moderating effect of 3.496 (0.004) and probability value of 0.004. Which point to the fact that an increase in the quality of audit by one unit would result in the increase of the relationship between sustainability reporting and the value of firms by 0.126 units. Finally, the moderating effect of audit quality on the relationship between sustainability reporting and the firm value was positive.

**4.2. DISCUSSION OF FINDINGS**

This study aimed at examining the impact of sustainability reporting on the value of firms in the Nigeria listed consumer goods industry, where the quality of audit was introduced as a moderating factor. The three hypotheses used in the study were the environmental, social, and governance disclosures and the audit quality role. From Hypothesis One, our findings demonstrate that environmental disclosures negatively and statistically insignificantly influenced the value of firms. This shows that the reporting of environmental matters by the firms is not yet having any material impact on the decision of the investor on firm valuation. The first reason is that the environmental disclosure practices of the sampled firms are still mostly symbolic and compliance-based, which is consistent with the previous works that reported that Nigerian firms selective disclose, often without a significant verification (Atanda et al., 2021; Onoh et al., 2023). This finding also is consistent with the previous evidence presented by Atanda et al. (2021), who also found the same outcome with the banks in Nigeria. It can be deduced that investors do not believe that environmental activities are both strategic and financially pertinent, perhaps because of the lax regulations (Mgbobi et al., 2024; Okolie, 2025). Meanwhile, the findings indicate that both social and governance disclosures had significant and positive effects on the firm value. The extent of social reporting would result in a significant increase in the value of the firm, which showed that the investors place more value on the companies that are proactive in showing their accountability to the stakeholders. Similarly, governance reporting had a significant positive effect on the value of the firm, which implies that the open character of the structure, accountability, and adherence to the governance standards diminish information asymmetry and enhance market trust. Such results are consistent with the stakeholder theory (Harrison et al., 2020; Ara & Harani, 2023) by establishing that companies that consider the interests of more stakeholder groups generate more long-term value. These findings are also empirically supported by Nguyen (2022), Onoh et al. (2023), and Yondrichs et al. (2021) who clearly confirm that non-financial disclosures, in particular, those concerning social and governance practices, are well-received by capital markets and improve firm value.

With regards to Hypothesis Two, audit quality had a significant positive effect on firm value. This is an indication that the compliance with audit rotation improve audit independence and enhances audit quality towards ensuring an increased firm value. The findings are in tandem with that of Ivungu et al. (2019) and Ikeji et al. (2024) who concluded that audit quality engenders firm value. This shows that independent and credible audits tend to promote investor confidence and enhance firm value (El-Deeb et al., 2023; Butar-Butar, 2025)

From hypothesis three, audits quality moderate the impact of social and governance disclosures on firm value considerably. This implies that in case the sustainability information is guaranteed by the high-audits quality, the stakeholders consider it to be more credible, and the value relevance is enhanced. These findings are in line with the evidence that is available internationally that assurance and quality of audits increase the credibility of sustainability disclosures (Al-Shaer, 2022; Bezverkhyi et al., 2025). Nonetheless, the audit quality moderating effect on the environmental disclosure was still non-significant though was able to change the relationship to positive, which further emphasizes low strategic importance of the environmental reporting in the Nigerian consumer goods market currently.

In general, the results offer solid evidence to the significance of the disclosure of the social and governance sustainability and the lack of awareness among investors about the significance of environmental reporting contributes to the lack of development of the role of environmental reporting. The findings also see audit quality as a direct determinant of firm value as well as a necessity that causes the credibility and market relevance of non-financial disclosures. This finding confirms the stakeholder theory as well as the signaling theory because when firms plausibly disclose their ESG performances as supported by plausible audits, it becomes easier to develop trust and long-term financial value which serves as a good signal to several stakeholders, improve the company's image and enhances their value.

**5.1. CONCLUSION**

This study examines the moderating effect of audit quality on the relationship between sustainability reporting and firm value of listed consumer goods firms in Nigeria and this has been addressed using a stringent empirical model to achieve credible results.

The findings affirm that sustainability reporting and especially in the angle governance and social disclosures are important tools in enhancing the firm value. Environmental disclosures, on the other hand, although of critical importance in theory did not have statistically significant impact on the firm valuation in the current setting. Audit quality emerges as an important determinant of firm value and in addition to its direct beneficial effect, it also increased the effects of social and governance disclosures, which strengthens the perception that credible and high-quality audits lead to the increased usefulness of sustainability reporting. Its effect as a moderator to environmental disclosure was however insignificant but positive and it is in line with the relatively low weight of environmental reporting that investors attribute in this regard.

### 5.2. Recommendations

The result of this research has significant implications on corporate managers, regulating bodies and policymakers. Therefore, from the findings, it is recommended that:

First, companies should consider more weight in social and governance disclosures since both are strategic methods that have been established to contribute meaningfully to the firm value and open governance systems and a well-developed social responsibility strategy that did not only enhance the relationships between stakeholders but also has a direct effect on the investor perception and firm performance. Also, environmental disclosures have not been found to have a statistically significant impact on the value of the firm in this study, but that does not mean they are insignificant. As the world becomes increasingly concerned with climate change, regulation changes, and stakeholder activism, the aspect of environmental accountability may be important in the long run. Companies that actively increase their environmental reporting can, therefore, make themselves more competitive in the future.

Second, it is essential to continue on high audit quality. The companies are advised to maintain the practice of auditor rotation and maintain high professional standards in audit to protect independence and credibility. In such a way, the companies not only build investor confidence but also reinforce the effectiveness of their sustainability reporting, especially in such areas as governance and social reporting.

Lastly, regulators and policymakers need to pressure more holistic ESG reporting structures and to impose stringent quality audit standards. Not only will such policies provide uniformity and comparability across firms but it will also encourage sustainable corporate practices and value creation on a long-term basis

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