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ESG REPORTING AND FIRM VALUE OF LISTED CONGLOMERATE FIRMS IN NIGERIA

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K E Y W O R D S

Environmental, Social and Governance (ESG) reporting, Firm Value, Board Independence, Tobin Q and Conglomerate companies

A B S T R A C T

ESG reporting is growing in significance as a driver of firm value (FV) because of the growing importance attached to non-financial performance by investors but its effect among Nigeria's listed conglomerate firms' remains largely untested. This study examines the effect of Environmental, Social and Governance (ESG) reporting on the value of Nigeria's listed conglomerate firms, and whether board independence moderates such impact. It adopted an ex post facto design using panel data extracted from the annual reports of all six conglomerate firms listed on the Nigerian Exchange Group (NXG) for the period 2019-2024. The findings indicate that FV is favorable and statistically significantly impacted by ESG and board independence enhances this relationship, indicating the importance of independent oversight for credible sustainability disclosure. The study finds that ESG reporting is value relevant to investors and recommends that conglomerate firms incorporate ESG disclosure into corporate strategy, increase board independence and regulators tighten enforcement of ESG reporting requirements for listed firms.

Introduction

Corporate priorities globally have moved away from a narrow focus on financial results to a strategy which embeds environmental, social and governance (ESG) considerations into strategy and reporting (Friede et al., 2015). This shift is due to greater stakeholder interest in sustainability, increasing concern over climate change, and a broader acceptance that non-financial factors affect a firm's long-run value and survival (Khan, 2022). The development of sustainability reporting (SR) began as a volunteered add-on to a mandatory requirement in many jurisdictions, as firms cannot operate independently of the environment and society around them (Igbinovia, 2021). ESG reporting is a broad disclosure framework that goes beyond profit alone to incorporate Elkington's (1997) three-bottom line idea of profit, people and planet. Thru ESG disclosure to investors, regulators, customers and the wider public, firms signal dedication to solid ESG practices (Mohammad & Wasiuzzaman, 2021). The importance of ESG reporting is demonstrated by the increasing number of stock exchanges, including the NGX that have introduced SR guidelines to improve transparency and accountability in corporate reporting. FV and ESG reporting relationship has garnered more attention from academics, practitioners, and policymakers due to its consequences to investments and decision regarding strategy (Abdi et al., 2022).

According to stakeholder theory, firms that provide comprehensive ESG disclosure to address the concerns of their different stakeholder groups are likely to have better financial performance and higher FV (Freeman, 1984). Signaling theory suggests that ESG disclosure can positively signal to the market, thereby decreasing information asymmetry and building investor confidence, which can support higher valuation (Spence, 1973; Ross, 1977). Board independence (BIND), an important element of governance mechanisms, is significantly associated with the credibility and effectiveness of ESG reporting (Metwally et al., 2025). BINDs are more qualified to monitor management's ESG behavior, ensure that SR are precise and complete, and keep firm strategy aligned with stakeholder interests (Setiawan et al., 2026). Consequently, the availability of BIND on the board enhances the credibility and trustworthiness of ESG information, reinforcing the favorable correlation between FV and disclosed ESG (Toryila, 2026).

Increasingly, Nigerian businesses are being pressured by stakeholders to be transparent and accountable on ESG issues (Igbinovia, 2021). Sustainability is being incorporated into existing organization practice thru the Sustainability Disclosure Guidelines of the Nigerian Exchange Group (NGX) (Yeye & Egbunike, 2023). However, there is still a lot of variation in the adoption of ESG reporting by Nigerian listed companies, as many companies see it more as a compliance issue rather than a strategic one (Igbinovia & Agbadua, 2023). Conglomerate firms hold a special position in the Nigerian corporate landscape given their presence in multiple sectors, their economic heft and their significant environmental and social impact. They work in manufacturing, agriculture, energy and services and their ESG behavior interests many stakeholders.

However, there is a lack of evidence demonstrating to connection of ESG reporting and conglomerate FV in Nigeria. Research on report on ESG and FV is increasing, but the evidence results are conflicting, many studies find beneficial outcomes, while some, reporting negative or insignificant effects (Deepak & Yash, 2019; Guo et al., 2020; Ruan & Liu, 2021; Duque-Grisales & Aguilera-Caracuel, 2021). Also, studies on Nigerian ESG–FV have largely concentrated on manufacturing firms, with less attention given to conglomerates (Igbinovia & Agbadua, 2023; Yeye & Egbunike, 2023). This inconsistency suggests that the relationship between ESG and FV is more nuanced and context-dependent than previously thought. This relationship has not been widely tested in Nigeria specifically, where ESG reporting is currently in early stages and the regulatory environment is evolving (Igbinovia & Agbadua, 2023).

In order to close this disparity, this current study looks into how ESG reports affects FV of Nigerian conglomerate companies.

Literature Review

ESG Reporting

ESG reporting is a disclosure framework that expands corporate reporting to include non-financial performance dimensions beyond financial statements (Igbinovia & Agbadua, 2023). It evolved from the wider sustainability reporting movement that gained momentum after the Brundtland Commission's (1987), defined it as development that meets the needs of the present without compromising the ability of future generations to meet their own needs, a defination that produced the parameters for considering corporate responsibility in a broader social context (Mohammad & Wasiuzzaman, 2021). ESG reporting is largely informed by Elkington's (1997) triple-bottom-line framework that is based on three accountability dimensions of firms: economic (profit), environmental (planet) This framework dismissed the idea that companies are just to produce shareholder wealth, rather it stated that companies have broader responsibilities to the society and environment (Yeye & Egbunike, 2023). It has become a major part of the conceptualization of ESG reporting providing scholars with a conceptual basis for embedding sustainability into corporate strategy and disclosure (Mohammad & Wasiuzzaman, 2021; Abdi et al., 2022). Three interrelated pillars support ESG reporting: Environmental Pillar: This dimension addresses (Aydogmus et al., 2022) and encompasses climate mitigation, emissions, energy use, water management, waste, biodiversity, and regulatory compliance (Abdi et al., 2022). This implies an expectation for firms to minimize environmental harm and promote sustainability (Li et al., 2018). There is evidence that environmental disclosure enhances investor confidence and lessens information bias that in turn supports FV (Yeye & Egbunike, 2023; Igbinovia & Agbadua, 2023).

Social Pillar: The social pillar is company's interactions with employees, customers, communities and the society in general (Buallay, 2019). The social pillar includes labor practice, equality, inclusion and fairness, safety at work, involvement in society, and customer satisfaction (Aydogmus et al., 2022). This reflects the recognition that firms are embedded in, and have obligations to, a social environment (Freeman, 1984). Social disclosure is associated with improved reputation, improved stakeholder relations, and long-term value creation (Buallay, 2019; Mohammad & Wasiuzzaman, 2021).

The Governance Pillar: This dimension relates to the management and control of firms (Albitar et al., 2020) such as BINDs, CEO compensation, investor protection, ethics, risk management, transparency and accountability (Li et al., 2018). It reflects the function of effective governance in accountability and protection of stakeholder interests (Jensen & Meckling, 1976). Research has revealed that governance disclosure reduces agency issues, improves investor confidence and increases firm performance (Albitar et al., 2020; Igbinovia & Agbadua, 2023).

Firm Value (FV)

FV is worth of corporation as perceived by the investors and market and includes the present performance and future growth opportunities (Abdi et al., 2022). It is a multidimensional construct encompassing financial performance, growth opportunities, risk, and intangibles such as reputation, brand, and intellectual capital (Aydogmus et al., 2022). Conceptual base is based on financial theory, especially the shareholder wealth maximization principle, which states the main goal of the firm is to increase shareholder value (Jensen & Meckling, 1976; Igbinovia, 2021). The market provides the most complete assessment of corporate value, and the measurement of FV is based on this concept (Yeye & Egbunike, 2023). Market-based metrics capture how investors interpret a firm's performance and prospects (Igbinovia & Agbadua, 2023). Tobin's Q is particularly useful as it weighs the market worth of assets against the replacement cost, showing whether a firm is creating or destroying value (Abdi et al., 2022; Li et al., 2018).

Board independence (BIND)

Board independence refers to the proportion of independent non-executive directors on the board, i.e. directors who do not have any material relationship with the firm that could impair their objective judgment (Fama, 1980; Fama & Jensen, 1983). It is a pillar of corporate governance which enhances the ability of the board to monitor management, protect the shareholders and add credibility to the corporate disclosures (Jensen & Meckling, 1976). The idea is grounded on agency theory that assumes that independent directors bridge the information gap between management and shareholders, reduce agency problems and prevent managerial opportunism (Fama & Jensen, 1983). They also bring objectivity, different perspectives and professional expertise to board deliberations, enhancing strategic decision-making and oversight (Adams et al., 2010). Board independence (BIND) adds credibility to sustainability disclosures within the framework of ESG reporting (Al-Shaer & Zaman, 2018). BINDs are more resistant to management pressure and more attentive to the concerns of stakeholders, and therefore, they are more likely to ask for thorough and precise ESG disclosure (Dwekat et al., 2020). Having them on the board adds legitimacy and relevance the reports of ESG, reinforcing the favorable correlation between FV and disclosed ESG.

Theoretical Framework

Agency Theory

Agency Theory (Jensen & Meckling, 1976) is the interaction between principals and managers. It states that there are conflicts of interest when ownership is separated from control, as managers may act in their own interests instead of those of shareholders which results in agency cost. The theory suggests mechanisms to mitigate the information asymmetry and solve these conflicts, such as information disclosure. Agency theory in ESG reporting explains how corporate disclosure mitigates the information asymmetry (Mohammad & Wasiuzzaman, 2021). The transparent disclosure of ESG practices allows managers to be responsible to stakeholders and cut agency costs (Igbinovia & Agbadua, 2023). Strategic ESG disclosure signals managerial accountability which reduces the information asymmetry and improves FV (Yu et al., 2018).

Signaling Theory

Signaling theory formulated by Spence (1973) and further developed by Ross (1977) to explain how organizations communicate their quality and performance to outsiders. Firms send signals to reduce information asymmetry and communicate good news about their performance and prospects. In capital markets, disclosure is a signal that affects investor beliefs and choices (Mohammad & Wasiuzzaman, 2021). Signaling theory explains the way that firms use sustainability disclosure to demonstrate commitment to responsible, long-term practice for ESG reporting (Igbinovia & Agbadua, 2023). ESG reporting indicates good management, stakeholder consideration, and long-term growth commitment (Yu et al., 2018). This reduces information asymmetry, enhances investor trust, and ultimately increases FV (Abdi et al., 2022).

The theory is particularly relevant for Nigerian conglomerates with their varied operations and substantial stakeholder bases that result in a great deal of information asymmetry. ESG reporting thus serves as a vehicle for conglomerates to signal sustainability commitment across disparate business lines (Igbinovia, 2021), and better ESG performance and disclosure firms should be viewed positively by the stakeholders, enhance FV (Mohammad & Wasiuzzaman, 2021).

Empirical Review

Setiawan et al. (2026) examined how ESG report affects FV, and the moderating function of BIND in Indonesia from 2017 to 2023. They discovered a favorable correlation ESG and FV. They came to conclusion that good governance is what transforms SR into reliable, real benefit.

Toryila (2026) tested the moderation impact of BIND on the ESG transparency and FV of 22 listed Nigerian manufacturing firms from 2015 to 2024. BIND considerably mitigated the strong beneficial direct impact of disclosure regarding ESG on FV.

Metwally et al. (2025) investigated the impact of ESG on FV in Saudi Arabia. They discover that ESG reporting significantly improves FV and that every feature of the sustainability and audit committees reinforces this relationship

Syarkani et al. (2024) investigated how ESG affected FV in Indonesia thru a Structured Literature Review from 2020-2024 in emerging and developed countries, particularly focusing on Indonesia. ESG performance was linked to a rise in FV, with governance having the strongest effect.

Mikołajek-Gocejna (2024) studied the link among ESG ratings and FV for 36 quoted firms in the WIG-ESG index in Poland over the period 2019-2023 and found a negative but statistically insignificant correlation among ESG ratings and FV. Brinette et al. (2024) looked at the moderating influence of BIND and board gender diversity on the link between ESG and FV and found that BIND moderates the relationship, emphasizing the significance of independent oversight in managing ESG-related risk.

Pramesti et al. (2024) adopted a quantitative, positivist approach to investigate how intellectual capital and disclosure of ESG affect FV, moderated by financial performance, on 25 Indonesian energy-sector firms (2018–2022). ESG disclosure had no impact on FV, whereas intellectual capital had a positive impact. Financial performance enhanced the connection between intellectual capital, FV and ESG.

Angir and Weli (2024) used market data and content analysis of sustainability of Indonesian-listed firms from 2019 to 2021, purposively sampled. ESG disclosure had no effect on information asymmetry, which in turn had no effect on FV, nor did it mediate the ESG–value relationship. ESG disclosure directly negatively affected FV.

Rasyad et al. (2024) applied PLS-SEM to 10 Indonesian and 15 Malaysian listed firms (data from Q3 2022, YahooFinance) to study how ESG affects performance. ESG had a favorable impact on ROA but only a positive but statistically insignificant impact on FV.

Yeye and Egbunike (2023) examined 12 Nigerian industrial goods manufacturing firms from 2014 to 2020 and used FEM and 2SLS to address the issue of endogeneity. ESG disclosure had a favorable effect on FV, leading them to conclude that ESG disclosure is beneficial for FV and the relationship could be moderated by profitability.

Igbinovia and Agbadua (2023) investigated the impact of ESG reporting on the value-based performance of 20 Nigerian quoted manufacturing firms (2017–2021) and whether firm advantage moderates this. ESG reporting alone had no impact on FV, but the effect became significant when moderated by firm advantage—which indicates that ESG disclosure only matters to FV if it leads to sales thru better public image and lower financing costs.

Mohammad and Wasiuzzaman (2021) examined if competitive advantage moderates the ESG disclosure-firm performance relationship using a clustering approach of 661 firms listed on Bursa Malaysia (2012-2017). ESG disclosure improved Tobin's Q, with competitive advantage diminishing this effect, suggesting that the benefits of ESG disclosure are most valuable to firm performance when a competitive advantage is present.

Methodology

The current study employed an ex post facto design because it analyzed historical data from the listed conglomerate firms which can look at the longer-run effects of past events or interventions. It covers the six years between 2019 and 2024, a period of increasing ESG awareness and regulatory development in Nigeria. The population is all the six conglomerate firms listed on the NXG as at 25th April 2026. Data were collected from all the six companies (Chellarams PLC, Custodian Investment PLC, John Holt PLC, S C O A Nig. PLC, Transnational Corporation PLC and U A C N PLC) using a purposive sampling technique. Panel data, is used in the study. The method is suitable for tracking change gradually whie taking firm-specific hidden heterogeneity into account, and one that enhances degrees of freedom, minimizes multicollinearity and generates more efficient estimates than pure cross-sectional or time-series analyzes alone. Descriptive and inferential data analysis was conducted using correlation and regression techniques. A Hausman test was conducted prior to avoid a misspecified equation and unreliable results.

Measurement of Variables

Table 1: Measurement of Variables

Variables	**Symbols**	**Variable Description**	**Source**
Dependent variable			
Firm Value	Tobin Q	Market Value of Equity plus the Book Value of Liabilities divided by Book Value of all Assets	Abdi et al. (2022); Igbinovia & Agbadua (2023); Yeye & Egbunike (2023)
Independent Variable			
Environmental social and governance Reporting	ESG reporting	ESG reporting index with a content analysis checklist	Igbinovia & Agbadua (2023)
Moderating Variable			
Board Independence	BIND	Ratio of non-executive directors to total size of the board	Aman et al. (2021); Toryila (2026)
Control Variables			
Firm Size	FS	Natural log of total assets	Singh et al. (2018)
Finance cost	FC	cost of debt and cost of equity in relation to the capital structure	Mohammad & Wasiuzzaman (2021)
Profitability	PROFY	Net Income / Total Assets	Mohammad & Wasiuzzaman (2021)

Source: Author's Compilation (2026)

ESG Reporting

ESG reporting was determine through disclosure index created from content analysis of annual reports and sustainability reports (Igbinovia & Agbadua, 2023; Yeye & Egbunike, 2023). We scored each item of a checklist of ESG indicators with 1 if disclosed and 0 if not. The total score is calculated by dividing the total number of indicators, and scores from 0 to 1. The checklist addresses environmental indicators (climate change, emissions, waste management, resource use, environmental compliance), social indicators (labour practices, human rights, product responsibility, community engagement, health and safety) and governance indicators (board composition, executive pay, shareholder rights, ethics, transparency) (Yeye & Egbunike, 2023). The content analysis was based on the Global Reporting Initiative (GRI) standards (GRI, 2021). The GRI standards provide detailed guidance on the disclosure of sustainability information and are generally the most widely applied standards in the area of ESG disclosure research (Igbinovia & Agbadua, 2023). The disclosure index was calculated for each firm-year separately to capture the change of ESG disclosure over time.

Model Specification

Based on the reviewed literature, two regression models are used.

$$Tobin\ Q = \beta_0 + \beta_1 \text{ESG reporting}_{it} + \beta_2 FS_{it} + \beta_3 FC + \beta_4 \text{PROFY}_{it} + \mu_{it} \quad (1)$$

$$Tobin\ Q = \beta_0 + \beta_1 \text{ESG reporting}_{it} \times BIND_{it} + \beta_2 FS_{it} + \beta_3 FC + \beta_4 \text{PROFY}_{it} + \mu_{it} \quad (2)$$

Result and Discussion

Descriptive Analysis

Table 2: Descriptive Statistics

Variable	Mean	Std. Dev.	Minimum	Maximum
Tobin Q	1.452	0.874	0.641	4.123
ESG Reporting (ESG)	0.583	0.184	0.167	0.833
Board Independence (BIND)	0.412	0.115	0.250	0.667
Firm Size (FS)	24.985	2.104	21.342	28.765
Finance Cost (FC)	0.081	0.043	0.023	0.189
Profitability (PROFY)	0.094	0.067	-0.052	0.215

Source: Author's Computation (2026)

Tobin’s Q, a measure for FV, averages 1.452 across the sampled conglomerates, suggesting that market value generally exceeds book value and that the market views the growth prospects of these firms favorably. The range of 0.641 to 4.123 indicates high disparity in the value of the firms within the group. The ESG reporting score is 0.583, indicating that the sampled companies report on approximately 58.3% of the items in the reporting index, demonstrating moderate dispersion in disclosure levels. Scores between 0.167 and 0.833 indicate that some companies report ESG information sparingly, while others do so extensively. Board independence averages 0.412, implying that 41.2% of board seats are occupied by independent non-executive directors, broadly consistent with governance codes that usually stipulate an independent presence of at least one-third of the board.

Correlation Analysis

Table 3: Correlation Matrix

	FV	ESG	BIND	FS	FC	PROFY
Tobin Q	1.000					
ESG	0.618	1.000				
BIND	0.573	0.489	1.000			
FS	0.512	0.421	0.384	1.000		
FC	-0.343	-0.287	-0.312	-0.215	1.000	
PROFY	0.212	0.598	0.521	0.478	-0.401	1.000

Source: Author's Computation (2026)

The correlation matrix reveals some interesting patterns. FV and ESG reporting show a substantial positive association, meaning that firms disclosing more ESG information tend to have higher market valuations, and it is also strongly correlated with board independence, suggesting that more independent boards go hand in hand with higher FV. Multicollinearity does not appear to present a significant issue for the regression analysis that follows because all the coefficient are less than 0.80.

Hausman Test

Table 4: Hausman Test Results

Model	Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.	Decision
Model 1: Direct Effect	Cross-section random	12.654	4	0.013	FE Preferred
Model 2: Moderating Effect	Cross-section random	15.872	5	0.007	FE Preferred

Source: Author's Computation (2026)

Result from the test showed that Model 1 has a chi-square of 12.654 (4 df, $p = 0.013$) and model 2 yielded a chi-square of 15.872 (5 df, $p = 0.007$). Since p is less than 0.05, in both models, the random effects specification is rejected and fixed effects (FE) is the preferred model.

Regression Analysis

Table 5: Fixed Effects Regression Results

	ESG and FV		Moderating Effect	
Variable	**Coefficient**	**t-statistic**	**Coefficient**	**t-statistic**
ESG	0.451	3.215**	-	-
ESG*BIND	-	-	1.034	4,542**
FS	0.187	2.981**	0.165	2.875**
FC	-0.321	1.452	-0.298	1.389
PROFY	0.593	4.120**	0.601	4.231**
Constant	-3.124	3.845**	-3.896	4.127**
R^2	0.487		0.562	
Adjusted R^2	0.421		0.498	
F-Statistic	5.891**		7.321**	
Durbin-Watson	1.894		1.912	

Source: Author's Computation (2026)
Note: **$p < 0.01$, *$p < 0.05$

First model tests the direct effect of ESG reporting to the FV controlling for the firm size, finance cost and profitability. The model is highly significant ($F = 5.891$, $p < 0.01$) and has an adjusted R^2 of 0.421, which implies that it explains around 42.1% of the variation in FV. A Durbin-Watson statistic of 1.894, close to 2, indicates no meaningful serial correlation in the residuals, thus satisfying the independence-of-errors assumption. Model 2 adds the interaction term ESG*BIND to test whether board independence moderates the relationship between ESG and FV. It is also statistically significant ($F = 7.321$, $p < 0.01$). R^2 is 0.498 when the interaction term is added revealing a better fit. The Durbin-Watson statistic of 1.912 also shows no significant serial correlation.

Discussion of Findings

The coefficient of ESG reporting (0.451, $p < 0.01$) is substantial and positive, indicating that, ceteris paribus, a unit rise in the ESG reporting index is related to a 0.451 increase in FV (Tobin's Q). The results present strong evidence that ESG reporting has a meaningful effect in enhancing the value of Nigeria's listed conglomerate firms, corroborating findings in other emerging markets like Setiawan et al. (2026) in Indonesia and Metwally et al. (2025) in Saudi Arabia and consistent with the positive, but statistically weaker, finding of Yeye and Egbunike (2023) for Nigeria's industrial goods sector. This positive ESG–value relation is consistent with the predictions of stakeholder theory and signaling theory. Firms that satisfy the concerns of multiple stakeholders thru comprehensive ESG disclosure can build trust, ease conflict, enhance reputation and ultimately improve financial performance.

Moderating Effect of Board Independence (BIND)

Association between ESG and FV is considerably moderated (1.034, $p < 0.01$) by BIND. This combined effect helps demonstrate this: the marginal effect for a firm with high board independence (BIND = 0.667) increases to 1.034, a much stronger effect. That is, ESG reporting is more valuable in firms with more independent boards whereby independent directors help ensure credibility and reliability in sustainability disclosures. This is in line with Setiawan et al. (2026) and Toryila (2026) who found a positive moderation by board independence on the ESG-FV relationship in Indonesia and Nigeria respectively. This is also supported by Aman et al. (2021) and Brinette et al. (2024). Agency theory explains this: independent directors are better able to monitor management, demand full and accurate disclosure, and reduce agency costs, and bring objectivity and expertise that sharpen strategic decision-making and oversight.

Conclusion and Recommendations

This study examined the impact of ESG reporting on FV and the moderating effect of board independence among the Nigerian conglomerate firms for the period 2019-2024. It finds that FV greatly improved by ESG reporting, providing evidence that investors and other stakeholders attach real weight to corporate transparency and accountability around ESG matters. Thorough ESG disclosure serves as a positive market signal, narrowing information asymmetry and building investor confidence in ways that lead to higher valuation. The study also finds that board independence acts as a significant moderator: independent directors provide credibility, completeness and reliability to ESG disclosures, and thus give the market a strong and credible signal.

Thus, board independence is not only a regulatory requirement, but a strategic resource for enhancing the value relevance of ESG information. Based on these findings, conglomerate management should approach ESG reporting as a strategic imperative, not a compliance chore, embedding robust ESG disclosure into core corporate strategy and aligning sustainability goals with financial objectives, an approach that builds stakeholder trust, improves reputation, and attracts long-term investors. Firms should appoint independent directors with relevant skills, including sustainability expertise; and give them a meaningful role in overseeing ESG strategy and disclosure to maximize the value of ESG reporting, and should have strong board independence. Also, the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX) should strengthen mandatory ESG reporting requirements for listed companies; expand the existing Sustainability Disclosure Guidelines and improve enforcement. Those measures would standardize ESG disclosure across firms and improve the quality and comparability of information available to investors.

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