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Social Sustainability Disclosures and Shareholders' Value: A Review of Literature

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ABSTRACT

Firms have been striving to conform to global reporting practices through the disclosure of sustainability activities since the concept of sustainable development was introduced, with the goal of increasing shareholder value creation. The study focused on a review of existing literature on social sustainability disclosure and its impact on shareholder value. On the subject, relevant concepts, theories, and empirical research were conducted. The findings show that disclosures have yet to be made mandatory, but there are various standards and indices in place. The study does show, however, that the global acceptance of the GRI standard for disclosure and its application has produced conflicting results in terms of value creation. It is recommended that firms develop appropriate disclosure frameworks that are consistent with adopted standards in order to create more value.

Key words: Sustainability, Shareholders, Value Added, Global Reporting, Initiative, Social Sustainability Disclosure

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1. INTRODUCTION

Sustainable development (SD) is the most important issue currently affecting societies, organizations, and individuals all over the world. In order to achieve SD, the term "sustainability" has become widely accepted, as described by Norway's former Prime Minister, Harlem Brundtland, who defined SD as "development that meets the needs of the present generation without depriving future generations of their needs" (Brundtland, 1987). As a result, business leaders defined sustainability as a company's ability to consistently and reliably increase its earnings. With these considerations in mind, investors and other stakeholders in Nigeria and elsewhere demand a comprehensive view of the business through corporate reporting, particularly sustainability reporting. Sustainability reporting is a company's disclosure and communication of both positive and negative impacts of ESG goals, as well as steps taken to achieve those goals (Songi & Dias, 2019). It encompasses the entire business environment - economic, social, and natural resource exploitation - of the business or firm (Das, 2015).

Sustainability reporting (SR), a type of non-financial reporting in accounting, dates back to the late 1980s, when the first environmental reporting was published by the chemical industries, which were experiencing severe image problems, and committed business owners who had developed environmental stewardship. Gokten, Ozerhan, and Okan-Gokten (2020) classified accounting sustainability reporting history into three periods: pre-standardisation (1962-1998), standardisation (1999-2016), and post-standardisation (since 2016). There have been several reporting indexes and standards for firm adoption, but the Global Reporting Initiative (GRI) guidelines have been the primary drivers of qualitative SR. These guidelines required organizations, regardless of country, to assess sustainability performance and disclose or make public the results in a manner similar to financial reporting.

However, studies have shown that some organizations or firms lacked good SR practices (Tilt, Qian, Kuruppu, & Dissanayake, 2020; Ezejiofor et al., 2016; Adeniyi & Fadipe, 2018) due to inadequate disclosures. Many leading companies in emerging economies are now incorporating sustainability concerns into their operations (Uwuigbe & Jimoh, 2012). There is, however, a global standard for corporate bodies to report their social investment. Studies by Christofi, Christofi & Sisaye (2012), Ademigbuji (2014), Olanrewaju & Johnson-Rokosu (2016), Nwobu (2017), Sanusi & Sanusi (2019), Oluseyi-Sowunmi, Owolabi, Iyoha & Uwuigbe (2019) documented low level of disclosures, much of voluntary disclosures, pressure-oriented disclosures, little legislation, and standardisation as issues to SR in Nigeria. There have also been claims and counter-claims that SR either devalues or adds value. The purpose of this study was to review the existing literature on social sustainability disclosure and shareholder value. The research is divided into sections: introduction, conceptual review, theoretical review, empirical review, conclusion, and recommendation.

2. LITERATURE REVIEW

2.1 Shareholders Value

Among other things, maximizing shareholder wealth is a major firm's goal. Shareholder value entails striving to increase the value of shareholders' returns regardless of environmental impacts. Rappaport (1986) defined wealth maximization as optimizing or increasing a company's long-term returns to shareholders, which must correspond to the company's market present value development. The present value of future earnings streams that shareholders can expect from their investments is referred to as shareholder value. It can also be defined as the value created by a company for its shareholders. The most reliable way to rank a company is by its market value or stock price. Market-based valuation incorporated several elements from basic finance knowledge.

According to Berk and DeMarzo (2007) and Corporate Finance (2007), investors and analysts evaluate the present value of a company's stock and compare it to the firm's capital cost and future cash flow. Analysts' predictions in the form of offers or suggestions in the form of sell, hold, or sell are frequently risky; lowering the capital cost appeared more concrete. Previous research demonstrated that voluntary non-financial reporting reduced capital costs; firms with relatively high capital costs would voluntarily disclose (Dhaliwal, Li, Tsang & Yang, 2011). While the authors concentrated on CSRD and capital costs, they discovered that firms that disclosed CSR voluntarily had lower capital costs for at least the first two years after disclosure.

Furthermore, companies with high capital costs were more likely to disclose. This demonstrated a significant relationship between analysts, investors, and the firm's long-term viability. This suffices to say that if a firm has proven, acted, and thought in sustainable ways, specialized investors with good knowledge of the firm will be drawn to it, and there will be no scattering of values or conflicts between analysts. To determine whether the quantitative aspect of sustainability disclosure influences market-related issues, the scores would be computed using each listed firm's capital cost and stock price (Eccles & Klimento, 2019).

2.1.1 Determinants of Shareholders Value Creation/Maximization

According to Berk, DeMarzo, Capelle-Blancard, Couderc, Nalpas, and de Boissieu (2011), value maximization to shareholders appeared to be a critical goal among companies' several goals, and thus firms strived to create wealth for shareholders and other stakeholders, with equity holders being the last to be attended to. To improve shareholder value creation, many validated approaches with roots in finance and social sciences have been developed. In finance, for example, the market value to book value (mv/bv) ratio and the strategic profit model (SPM) are used. Ben-Naceur & Goaied (1999) and Caby (1996) empirically assessed the relationship between value creation indicators and shareholder value measures using cross-sectional panel data of firms (EVA and MV/BV). Dividend payments are another source of value creation. Shastri, Copeland, and Weston (1988). Ramezani, Soenen, & Jung (2002) investigated the relationship between profitability and growth in terms of shareholder value creation.

According to the study, growth has a significant impact on profitability, though it can sometimes have a negative impact on value creation. Ben-Naceur & Goaied (2001) investigated the effect of firm size as a moderating construct or variable to shareholder value creation and discovered that firm size had a significant effect on shareholder value creation as the extent of increases in firm size induced firm administration. Managers used their discretionary power to foot bill some expenses. According to Rappaport (1986), profitability is an important determinant of value creation. Pandey (2005) established the importance of financial policy in creating shareholder value, arguing that the goal of utilizing financial leverage is to improve returns or earnings to shareholders under ideal economic conditions. As a result, the author concluded that financial leverage raises both returns and risks for shareholders.

2.1.2 Shareholder Value Added

Rappaport introduced shareholder value added (SVA) as a value metric in 1986. The difference between wealth accrued or held at the end or finish of a specific year and wealth accrued or held the previous year is referred to as SVA. However, an increase in equity market value is not the same as an increase in SVA (Fernandez, 2002). SVA is defined as the difference between the current or present value of incremental income or cash flow before new investment and the current or present value of equity or investment in working and fixed capital by Largani, Kaviani & Abdollahpour (2012). When the return on capital (ROC) exceeds the capital cost of the company, value creation is guaranteed.

2.1.3 Sustainable Development

At the corporate and global levels, sustainable development (SD) is a well-accepted concept. Despite the fact that SD has older roots, organizations and researchers viewed and described the concept from various perspectives (Sahoo, Swain & Bal, 2018). SD is thought to have begun in 1987, following the report of the United Nations World Commission on Environment and Development titled "Our Common Future," which was chaired by Gro Harlem Brundtland. The Commission defined SD as development that meets the needs of the present without jeopardizing future generations' ability to meet their own needs. The concept encompasses three fundamental areas: economic growth, environmental balance, and social progress.

Though all three concepts are important, the first two - economic growth and ecological balance - have received more attention in the literature, while social progress has been somewhat overlooked. As a result, there is a call for a greater emphasis on the social aspects of SD. There is a growing focus or concern on social issues such as poverty, social inequality, and corruption, as well as environmental concerns such as carbon emissions, ozone layer depletion, water, and noise pollution. These have put pressure or demand on businesses to treat SR more systematically. As a result, stakeholders desired the government to be an active change agent in advancing SR. However, there is a difficulty in conceptualizing sustainability because the term means different things to different people. According to Korhonen (2004), sustainability is impossible to define and extremely difficult to measure, particularly in monetary terms.

2.2 Sustainability Reporting

Sustainability reporting (SR) is a subset of reporting and accounting that focuses on methods, activities, and systems for recording, dissecting, and disclosing environmentally and socially induced financial effects, as well as ecological and social imports of an established economic system (Schaltegger & Lüdeke-Freund, 2004). The authors went on to say that sustainability reporting measures, analyses, and communicates the interactions and relationships between the three aspects of sustainability: economic, environmental, and social. SR is a critical asset or medium through which firm accountability is communicated or made known in relation to the diverse range of roles played by firms to shareholders, the state, people, and the environment. Firm accountability is communicated through SR (channels or media) that are accessible to the individuals who comprise the firms and society (Nwobu, 2016).

The TBL principle proposed by John was supported by an SR initiative known as Sustain-Ability, a British Consultancy (Elkington, 1998). John argued that firms or companies should prepare three distinct bottom lines, namely, the traditional or crude measure of firm or corporate profit, the traditional or crude measure of firm or corporate profit, and the traditional or crude measure of firm or (that is, profit and loss account). The second bottom or base line of the company is - people account - which measures environmental responsibilities or responsiveness of the firm to its environment since its inception, and the third bottom or base line of the company is - planet account - which measures environmental responsibilities or responsiveness of the firm to its environment since its inception (Elkington, 1998). Lozano (2008) proposed an integrated view of sustainability, arguing that firms or organizations should consider environmental and social implications in addition to economic impacts when producing reports. This viewpoint gave rise to SR.

In 1983, the World Commission on Environment and Development was established in response to concerns about environmental damage and its impact on human lives. Its mission was to assess the extent of environmental threats and damages caused by human activities. According to the Commission, there is a strong or high international link between economics and ecology. As a result, the Brundtland report stated unequivocally that SD is critical to the future survival of individuals and nations (White, 2009). This made SR more accepting because it encompassed environmental reporting, social and economic impact reporting, and government approaches to mitigating the effects. Soyka (2012) asserted that corporate sustainability is more than just the environment and CSR, but also includes stakeholders' interests in ensuring economic viability while affirming a socially sustainable and reasonable environment.

Although there are no specific or general rules governing the sustainability principle in business or firm organizations, it can be applied to all aspects of corporate or firm life. Sustainability outcomes or challenges, on the other hand, can be integrated into a company's operations, strategy, reporting, and other corporate practices. Documents on CSR focused on the business community, whereas sustainability is concerned with material factors that contribute to SD without jeopardizing good financial performance (Eccles & Krzus, 2010).

According to KPMG (2008) and Muller (2011), the social, economic, and environmental performances comprised the characteristics of sustainability reports, which are typically propelled by an acknowledgement of a firm's efficiency or performance and reflected in economic, social, and environmental factors and governance terms. These aspects of sustainability have a significant impact on a company's efficiency or performance, making it critical for firms or companies to improve transparency to stakeholders, as part of mandates for improved corporate governance, and value to overall SD. Muller (2011).

Agu and Amedu (2018) distinguished between mandatory and voluntary reporting of SR practices. Voluntary SR occurs when administrators decide how, what, and when to make sustainability information available, even when there is no compulsion to do or act in this manner. Mandatory SR exists when a report is required by regulatory or government agencies with oversight functions over companies listed on the exchange market. Economic reporting, environmental reporting, and social reporting are all part of SR. These will be discussed in the following subsection.

2.2.1 Economic Reporting

Most firms strive to account for economic efficiency or performance to engaged stakeholders whose capital or investments are directly linked to funding provision or raising (financing) of the firm's activities and business. It is concerned with the value or quality added to the investors or shareholders and is centered on the monetary aspects of the firm. Accountants typically create or design the firm's report based on monetary performance, which is typically included in the firm's or organization's annual financial report. Accountants have been involved in and have taken an active role in environmental and social accounting. Accountants' roles have evolved in recent years to embrace and improve social justice (Tilt, 2009). Social justice is concerned with a company's contributions to social and environmental issues that benefit society (Nwobu, 2016).

While tracing the link between the accounting profession and environmental issues, Owolabi (2000) asserted that accountants valued environmental responsibility. Profit is regarded as the primary goal of privately-owned businesses, and it is achieved by lowering costs associated with business activities in order to harness and increase profits. Despite the fact that managers use scarce (limited) resources during the production processes, sustainability requires managers to consider social goods during the production processes and activities. SD in business entails thinking about a variety of issues, including innovation and long-term investments.

Murray (2010) contended that firms' SD practices signalled a loss of short-term investor return and a reduction in future profits or earnings. As a result, Kwanbo (2011) regarded corporate social disclosure as an unimportant tool for achieving firm or organizational goals, concluding that social disclosure has no significant effect on earnings per share. This implies that organizations are not required to be socially responsible, despite the fact that social responsibility paved the way for social and environmental disclosures and reporting.

2.2.2 Environmental Reporting

Environmental accounting, according to Rogers and Ryan (2001), is a method of accounting or reporting for natural values gained or lost during gross domestic production in a specific environment. They argue that environmental accounting does not only focus on internal and external environment accounting, but also ensures that environmental and financial performance are more visible. The authors agreed that environmental accounting and reporting improve the quality or value of decisions and chart established standards for key environmental indicators such as greenhouse gas emissions, resource usage, and energy usage. Environmental management and accounting cannot be sustained unless a model and standards for determining, assessing, and reporting on activities are available (Rogers & Ryan, 2001).

Environmental constructs or variables are expected to represent an assessment of natural resources that include energy consumption, air and water quality, natural resources, solid and toxic waste, and land use cover, as well as their potential impacts on environmental viability. Other environmental constructs or variables identified by Slaper and Hall (2011) include sulphur-dioxide concentration, selected pollutants, nitrogen oxide concentration, electricity consumption, excessive nutrients, fossil fuel consumption, hazardous waste management, solid waste management, and change in land use or land cover. Long-term or long-range trends for all environmental variables would help organizations evaluate the impacts or effects of a policy or project on specific areas.

According to the International Integrated Reporting Council (IIRC), the legal aspect, social and commercial context, and external environmental factors all have a significant impact on a firm's or organization's ability to generate or create value either indirectly or directly in the medium, short, and or long term. According to Olusanjo, Adegbie, and Akintoye (2019), the external environment of firms is influenced by legal needs, economic stability, stakeholders' interests, globalisation and industry trends, population size and demographic changes, market forces, human rights, poverty, health, educational systems, and collective values.

2.2.3 Social Responsibility Disclosures

The current (academic) debate on CSR began with the publication in 1953 of a book by Bowen Howard that charted the modern period of CSR and was considered the first ultimate work on CSR (Valor, 2005). Sums (2003) defines CSR as companies' efforts or endeavors to improve conditions for immediate communities, employees, and the environment beyond what is required by market law. Mohammed, Saheed, and Oladele (2016) considered the definition to be comprehensive because it addressed an organization's stakeholders. Corporate social responsibility disclosure (CSRD) was defined by Orbaningsih, Subroto, Subekti, and Saraswati (2017) as information derived from social responsibility activities of firms or organizations that have a positive impact on stakeholders and the firm's value.

Social revealing refers to beneficial and reasonable strategic policies of firms or organizations, networks, and human capital (Elkington, 1997) as the practices (for example, health care services and reasonable wages) provide benefits to the public and give back to the community. Aside from ethical concerns, ignoring social services can have an impact on firm efficiency and sustainability. Social efficiency or performance enlists the cooperation of the business environment and firms, resolving issues such as employee relations, community involvement, and reasonable wages (Goel, 2010).

Recent empirical studies have concentrated on the factors influencing earnings quality, specifically accruals; however, there is an increasing emphasis on managerial activities and earnings manipulation. Previous research found a conflicting relationship between CSR and transparent financial reporting (Gras-Gil, Manzano, & Fernández, 2016). According to Hasseldine, Salama, and Toms (2005), environmental and social disclosures are part of the inducements firms or organizations use to improve stakeholders' goodwill.

According to Friedman and Miles (2001), a company's reputation or goodwill can influence its social disclosure. Toms (2002) also discovered a strong or intense relationship between a firm's environmental reputation or goodwill and its qualitative disclosures. Orlitzky, Schmidt, and Rynes (2003) discovered a positive relationship between social disclosure and firm performance, which was mediated by the firm's reputation. Roberts and Dowling (2002) and Toms (2002) found a strong link between firm reputation and financial performance. Hasseldine et al. (2005) extended Toms's (2002) research using 139 companies in the United Kingdom and discovered that qualitative environmental disclosures had a significant impact on the environmental reputation of the investor stakeholders' group and executives.

2.2.4 Sustainability Measurement and Disclosure

This is the quantitative foundation for informed management and sustainability management. Indicators, benchmarks, audits, indexes, and accounting, assessment, appraisal, and other reporting systems are among the metrics used to measure the sustainability of environmental, social, and economic domains, both individually and in various combinations. According to Muller (2011), quantitative sustainability disclosure (QSD) is defined on two fronts: the quantitative nature of the disclosure and its relationship to sustainability. According to Cormier, Aerts, Ledoux, and Magnan (2009), monetary or quantitative disclosure is non-indicative or descriptive and can be comparable across time or space.

According to the authors, quantitative disclosure is difficult for competitors to imitate, providing higher credibility while risking damaging competitive position by disclosing too much proprietary information. Botosan (1997), in her study on voluntary disclosure, emphasized the importance of quantitative information data, claiming that it contained useful and precise information that improved the firm's credibility and reporting quality.

According to the Global Reporting Initiative (2008), its G3 guidelines include twenty-two (22) key performance indicators (KPI) that businesses can use to measure sustainability performance, such as water and power consumption and emissions from a company's supply chain. Similarly, in 2010, the United Nations Environmental Protection Financial Initiative and the World Business Council for Sustainable Development (UNEP FI and WBCSD) developed twelve (12) elements of environmental, social, and governance KPIs that investors could use to value or rate companies, and thus advised companies or firms to integrate monetary matters into decision-making processes and disclosures, and to communicate these to investors. Furthermore, the two organizations advised investors to incorporate ESG data into company valuation methods and to develop or improve knowledge on the topic. Furthermore, companies were advised to develop sector-wide standards for disclosure practices, and that disclosures should be communicated to investors in one-on-one dialogues as soon as possible (WBCSD & UNEP FI, 2010).

According to studies, QSD is more popular in the market and has been shown to be more effective than qualitative disclosure (Cormier et al., 2009). SustainAbility, KPMG, and Futerra (a sustainability communication consultancy firm) conducted a survey of 5000 readers and reporters of sustainability reports, and 70.0 percent thought performance data was important in sustainability reports. Furthermore, the study found a significant difference in the value of performance data across countries, with Brazilians preferring robust data, Americans preferring visible firm actions as proof of company success, and Indians viewing performance data as unimportant. Furthermore, 50.0 percent of respondents have used SRs in the past to make investment decisions (SustainAbility, KMPG, Futerra, 2011).

Disclosure reports are used by managers to transmit or share information with stakeholders and investors. Disclosure can be mandatory, in which case regulatory organizations (such as stock exchanges, security exchange authorities, financial reporting councils, and the International Accounting Standard Board) are responsible, or it can be voluntary, at the discretion of managers. However, according to Akintoye, Adegbie, and Bello (2019), a company's obligation to disclose a minimum amount of information in corporate reports is mandatory, whereas voluntary disclosure is the provision of additional information that depicts the company's value and managers' performance.

However, many businesses continue to struggle with effectively disclosing sustainability efficiency to investors. According to GRI (2009), stakeholders and investors require ESG strategies that are linked to overall company strategy and achievements that are related to current company activities. According to the initiative, such reports would increase the value of companies by including a CEO's statement on sustainability, a risk and opportunity analysis, and performance data that would help investors screen, integrate, and engage with companies.

When analysing non-financial information, investors must consider comparability because they are unfamiliar with disclosures because different organizations disclose different things (Maines, Bartov, Fairfield, Hirst, Iannaconi & Mallet, 2002; Orens & Lybaert, 2010). If performance or achievement data must be relevant, there must be comparability between similar organizations over time and within context (McElroy, 2008). When information is disclosed in a quantitative metric along with a common denominator (which serves as the basis for comparison), companies become truly comparable.

Quantitative disclosure is used in rating or evaluating firms because it conveys new information that qualitative data does not, and it has been shown to reduce or prevent stock volatility (Aerts, Cormier, & Magnan, 2007). The dispersion among analysts is caused by quantitative disclosure (Vanstraelen, Zarzeski & Robb, 2003). The authors discovered that voluntary disclosure of non-financial information was significantly associated or linked with lower levels of dispersion as well as higher levels of accuracy in analysts' earnings forecasts. Non-financial information, on the other hand, is not always indicative of sustainability disclosure. For example, a company's LEAN approach is neither financial disclosure nor SRs.

2.2.5 Sustainability Reporting Guidelines and Standards

The Global Reporting Initiative is a global organization that has independently engineered SR since 1997. The initiative has aided governments and businesses in understanding and communicating critical global issues such as climate change, governance, human rights, and social well-being, resulting in environmental, social, and economic benefits for all individuals (GRI, 2016). The initiative includes contributions from a wide range of stakeholders, is rooted in public interest, and its foundational products are sustainability reporting standards (SRSs), a public good that is freely available and accessible to all. SRSs have been evolving for over 20 years and have represented global best practices for reporting environmental, economic, and social issues. The GRI SRSs are considered novel and have become global standards for SR (GRI, 2016).

Since its inception in 1997, it has been updated several times and adopted by numerous organizations worldwide (GRI, 2016). According to KPMG (2017), 93 percent of the world's largest companies reported using the standards to improve sustainability performance and disclosed that the standards (SRSs) improved accountability, identified and managed risks, and allowed the organizations to achieve new opportunities. Similarly, the GRI reporting standards encompassed the activities of corporations - public, private, large, and small - in protecting the environment and improving society, achieving economically by improving stakeholder relations, corporate governance, and finally enhancing firm reputations and trust (GRI, 2018).

The GRI SRSs are reviewed on a regular basis to accommodate the best and most up-to-date and relevant guidance for effective SR; the most recent guideline is GRI 4, which was an improvement on the previous GRI 3 and 3.1. It is divided into two parts: reporting principles and standard disclosures and an interpretation manual. The standard disclosure is divided into three parts: economic, social, and environmental. Economic performance, economic impact, market presence, and procurement practices are the four indicators in the economic sub-category. Material, water, energy, biodiversity, effluents & waste, emission, product & services, transportation, compliance, overall, supplier assessment, and governance mechanism are the 12 indicators for the environment.

The social aspect of the disclosure includes 30 indicators divided into four categories: labour practices and decent work (i.e. labour/management relations, health and safety, employment, training and education, equal remuneration for men and women, diversity and equal opportunity, and labour practices grievance mechanism, and suppliers' assessment for labour practices). Non-discrimination, freedom of association and collective bargaining, investment, child labour, forced and compulsory labour, indigenous rights, security practices, supplier human right assessment, assessment, and human right grievance mechanism are all examples of human rights.

The third indicator, society, includes local communities, public policy, anti-competitive behaviour, anti-corruption, compliance, governance mechanisms for societal impact, and supplier assessment for societal impact (GRI, 2018). Finally, GRI 4 outlined two (2) sets of principles to be followed in reporting sustainability indexes (which covered marketing communication, customer health and safety, customer privacy and compliance, and product & services labelling). These are the principles for defining content (inclusiveness, materiality, context, and stakeholder completeness) and the principles for defining value or quality (compatibility, balance, accuracy, clarity, timeliness, and reliability) (GRI, 2018).

Finally, in terms of product responsibility (which included marketing communication, customer health and safety, customer privacy and compliance, and product and service labelling), GRI 4 outlined two (2) sets of principles to be followed in reporting sustainability indexes. These are the principles for defining content (inclusiveness, materiality, context, and the completeness of stakeholders) and the principles for defining value or quality (compatibility, balance, accuracy, clarity, timeliness, and reliability) (GRI, 2018).

According to Gardetti (2015), the GRI 4 strategic policy initiative is a commitment by businesses to align their strategies and operations with the ten globally acclaimed principles in the areas of labour, human rights, anticorruption, and the environment. According to the author, GRI 4 is currently the largest tool of sustainability-oriented companies, with over 8000 members, of which over 5300 are business owners. These companies used the Global Compact as a guide to their best practices, involvement activities, and as a reference to indicate or chart their companies' sustainability.

Gardetti (2015) considered GRI 4 strategic policy initiative businesses are committed to aligning their strategies and operations with the ten globally acclaimed principles in the areas of labour, human rights, anticorruption, and environment. The author stated that GRI 4 is currently the largest tool of sustainability-oriented companies, with over 8000 members, of which over 5300 are business owners. These businesses used the Global Compact as a guide to their best practices, involvement activities, and as a reference to indicate or chart their company's sustainability.

2.2 Theoretical Review

The theories that are considered relevant to this study are Sustainability Theory, Legitimacy Theory, Social Contract Theory Stakeholders Theory and Agency Theory.

2.2.1.1 Sustainability Theory

This theory explained a long-lasting economic and social system that can be lived on a global scale. According to Jenkins (2009), the theory prioritized and combined social responses to cultural and environmental problems. Sustainability sheds light on the mutual effects of environmental degradation caused by human activity and damage to the human system as manifested in global environmental problems. Jenkins (2009) provided three approaches to the question of what must be sustained: strong, weak, and pragmatic.

Strong sustainability prioritizes ecosystem preservation; weak sustainability adheres to the general principle of ensuring that future generations are not worse off; and pragmatic sustainability maintains a middle ground by stating that there may not be an obligation on ecological processes while also assuming that all future opportunities measurement exist. Jonas (1984) agreed with this viewpoint, arguing that sustainability is a pragmatic issue rather than a strong or weak one.

Strong sustainability prioritizes ecosystem preservation, while weak adheres to the general principle of ensuring that future generations are not worse off, while pragmatic maintains a middle ground and states that there may not be an obligation on ecological processes while also assuming that all future opportunities measurement exist may not hold. Jonas (1984) agreed, arguing that sustainability is a pragmatic issue rather than a strong or weak one. Strong sustainability prioritizes ecosystem preservation, while weak adheres to the general principle of ensuring that future generations are not worse off, while pragmatic maintains a middle ground and states that there may not be an obligation on ecological processes while also assuming that all future opportunities measurement exist may not hold. Jonas (1984) agreed, arguing that sustainability is a pragmatic issue rather than a strong or weak one.

This theory has been critiqued for so many reasons - as being theoretically pointless, too disposed to competitive idea to be used politically. Further, the theory is vague and inclusive as it leads to ecological dependency of society into moral relations with its political and economic system (Jenkins, 2009).

2.2.1.2 Legitimacy Theory

Dowling and Pfeffer developed legitimacy theory in 1975 in response to Guthrie and Ward's concept of organizational legitimacy (2007). Theory proposed that organizational legitimacy exists when an organization's value system is congruent with the value system of the larger society in which the organization operates, and when the contrast exists, the legitimacy of the organization is threatened. The extent and types of corporate social disclosure in the annual report are directly related to management's perceptions of community concerns, according to legitimacy theory. According to legitimacy theory, organizations strive to operate within society's boundaries and norms (Tilt, 1999).

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According to Dowling and Pfeffer (1975), legitimacy is a resource on which organizations rely for survival. In agreement with the assertion of resource dependency, legitimacy theory proposed that when managers identify a specific resource as critical to the continuous existence or survival of an organization, strategies to ensure the continuous supply of that resource must be implemented. Legitimate targeted disclosure may be one of these strategies (Deegan, 2002; Fiedler & Deegan, 2002; Pfeffer & Salancik, 2003). According to the preceding, when societal values change, the firm's focus shifts toward societal values, which may or may not benefit the firm, particularly in the areas of value creation and profitability. Furthermore, if societal values are not considered alongside the firm's operations, the value of the firm may be jeopardized over time.

2.2.1.4 Social Contract Theory

The Social Contract Theory was attributed to three philosophers, Thomas Hobbes, Jean Jack-Rousseau, and John Locke, who defined it as a contract between government and society in which people's moral rights are relinquished to an authority in exchange for preservation, security, and liberties. Thus, it is the belief that people's moral and/or political responsibilities are dependent on an agreement between the parties to form the society in which they live (Omran, 2015).

According to Donaldson (1982), there is an implied social contract between business and society that indicates some indirect responsibilities of business to society. Guthrie and Parker (1989) proposed a contract between business and wider society in which business agrees to perform various society desired actions in exchange for approval of its objectives, other rewards, and ultimate survival. Donaldson and Dunfee (1999) proposed an integrative social contract theory as a method to improve managers' ethical decision-making by recognizing that firms are an integral part of society and, as such, are accountable to it. Van Marrewijk (2003), who shared the same viewpoint, stated that because firms operate through public consent, the theory would help firms constructively meet the needs of society.

The theory is advantageous to an emerging/emerging economy in which individuals have the ability to direct resources to maximize returns, the government is limited to its efficient maximum point, and market forces determine the alternative use of resources without tax effects, a predictable value of money, and private property rights and contracts between individual decision makers are enforced in an unbiased manner (Dunfee, 2006; Rest, Narvaez, Bebeau & Thomas, 1999). This theory gives the government more authority to enact laws in the belief that they will protect the public. However, in practice, it is nearly impossible for every individual to hold the same opinion, and individual interests would take precedence, so people's wishes are likely to be fraught with several anomalies.

2.2.1.5 Stakeholder Theory

This theory was proposed by Freeman (1984), who stated that organizations should create value for all stakeholders, not just shareholders. Clarkson (1994) defines stakeholder theory as the firm being a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The firm's goal is to generate wealth or value for its stakeholders by converting their stakes into goods and services. Blair (1995) agreed, proposing that the goal of directors and management should be total wealth creation maximization by the firm. The key to maximizing wealth is to give participants who contribute or control critical, specialized inputs (firm specific human capital) a stronger voice and provide ownership-like incentives, as well as to align the interests of these critical stakeholders with the interests of outside, passive shareholders.

Any group or individual who can affect or is affected by the achievement of the organization's objectives, according to Freeman (1984), one of the original proponents of stakeholder theory, identified the emergence of stakeholder groups as important elements to the organization that required consideration. The stakeholder theory is made up of ethical and managerial components. The managerial aspect is concerned with identifying the most important stakeholders in order to satisfy the desires of the firms (Adekanmi, Adedoyin & Adewole, 2015). According to this aspect of stakeholder theory, not all stakeholders in nature can influence an organization's productivity or performance.

This implies that more attention should be paid to the more powerful stakeholders, so that their influence is ranked in such a way that more efforts are made to maintain strong relationships with powerful stakeholders. The ethical aspect of stakeholder theory, on the other hand, opined that all stakeholders have the right to adequate and equal treatment by the organization and that the issue of greater influence of some stakeholders on the organization is irrelevant. It has been argued that the organization's impact on a stakeholder should take precedence over the economic importance of some stakeholders to the organization.

In light of the theory's ethical aspects, all stakeholders have the right to certain benefits such as employment and other social benefits. All stakeholders have the right to be informed about the organization's performance and its impact on society, which necessitates sustainability reporting. Akintoye and Anyahara (2018). Nonetheless, Sundaram and Inkpen (2004) asserted that broad definitions of the stakeholder are problematic, and that empirical evidence supporting a link between stakeholder theory and firm performance is lacking. As a result, the authors identified a plethora of stakeholders and their core values and concluded that it was an unrealistic task for managers (Sundaram & Inkpen, 2004).

However, when this theory is applied, there are high-cost implications that may have an impact on the bottom line. The gaps in traditional financial accounting and reporting practices, as well as Freeman's Stakeholder Theory, have paved the way for additional research and the incorporation of sustainability concepts into a company's core business practices. The pursuit of SD began with climate change and environmental issues, which became the most significant developmental challenge. A growing number of businesses want to make their operations more sustainable.

Furthermore, expectations that long-term profitability should be accompanied by social justice and environmental protection are growing. These expectations are only going to rise as businesses recognize the importance of transitioning to a truly sustainable economy. Organizations can improve their own sustainability performance by measuring, monitoring, and reporting on it, assisting firms in having a positive economic impact and building a sustainable future. Although corporate sustainability issues are ubiquitous, a company's contribution to sustainability is difficult to quantify due to its intangible nature.

2.2.1.6 Agency Theory

This is a theory about the relationship between the principal (shareholders) and the principal's agent (the company's managers). According to the theory, the firm can be viewed as a nexus of (loosely defined) contracts between resource holders. An agency relationship exists when one or more individuals, known as principals, hire one or more other individuals, known as agents, who are company managers, to perform certain services and delegate decision-making authority to the agents. Berle and Means (1932) proposed the agency theory concept, arguing that due to the continuous dilution of equity ownership in large corporations, ownership and control become more separated. The situation in which professional managers can pursue their own interests rather than those of shareholders (Jensen & Runback, 1983).

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The situation in which professional managers can pursue their own interests rather than those of shareholders (Jensen & Runback, 1983). A company's only owners are its shareholders, and the task of its directors is simply to ensure that shareholders' interests are maximized. More specifically, the director's responsibility is to manage the company in such a way that the long-term returns to shareholders are maximized, as well as the company's profit and cash flow (Elliot, 2002).

According to this theory, the interests of the principal and the agents (company managers) are never the same, and thus the agents who are part of the decision-making process of the companies always tend to pursue their own interests rather than the interests of the principal. This means that the agent (company managers) will prefer to spend the available free cash flow on their own needs for self-aggrandizement and prestige rather than returning it to shareholders (Berle & Means, 1932). Thus, the main issue that shareholders face is determining how to ensure that managers return excess cash flow to shareholders, for example, through dividend payouts rather than investing in unprofitable projects (Jensen, 1986).

If the shareholders, as the principal, want to ensure that the company managers, as the agent, act in their best interests, the shareholders (principal) must bear some agency costs, such as the cost of monitoring managers. The higher the agency costs, the more the principals or shareholders want to control manager decisions. Jensen and Meckling (1976) refined the position by arguing that managers who do not own the firm or the property focus on their personal interests rather than the interests of the shareholders. Divergences between shareholders and managers jeopardize the maximization of value for owners or shareholders. As a result, there is a need for managers' and shareholders' interests to be aligned solely for the purpose of increasing the company's value. Somoye (2011) claimed that in the context of economic theory, agency theory is concerned with managerial behaviour, agency cost, and the separation of capital/ownership structure, and thus modified the model depicting the principal and agent dichotomy.

2.3 Empirical Review

This section reviewed relevant empirical literature on social sustainability disclosure and shareholders value. Specifically, the section reviewed empirical literature showing evidences from developed countries and developing countries like Nigeria. Samet, Chikha, and Jarboui (2022) used multiple regression analysis on a data set of 600 non-financial listed companies in Europe over eight years to examine the relationship between CSR performance and stakeholder value (2008 to 2016). According to the study, companies that care about environmental issues, product quality, philanthropic safety, diversity, human rights, equal opportunities, and training are more likely to generate stakeholder value. On the contrary, providing high-quality employment helped firms build trust and loyalty among their employees, but the practice had no effect on stakeholder value.

Arlita (2022) investigated the influence of employee training on firm value using financial performance as an intermediating variable in a study involving banking firms on the Indonesian Stock Exchange from 2018 to 2021, while signalling theory and human capital theory were used as the company's basic theories in this study. The study found that employee training improved financial performance and that financial performance influenced business value; however, staff training had no direct impact on company value. Financial performance moderated the impact of training on business value. This study demonstrated to the business community the importance of employee training as one of a company's human resource management strategies that can increase shareholder value.

Syder, Ogbonna, and Akani investigated the impact of sustainability accounting reports on the shareholder value of Nigerian listed oil and gas firms (2020). Ex-post facto and cross-sectional methods were used in the study. The study's population (NSE) was made up of data from the NSE's 2016/2017 fact book on 9 quoted businesses from 2009 to 2018. The data was analyzed using the appropriate diagnostic test and the Autoregressive Distributed Lag. The authors came to the conclusion that employee training had a positive and significant relationship with the value added by shareholders. The empirical analysis also revealed that community development had a direct and significant impact on the additional value to shareholders of the companies. Nonetheless, there was no significant relationship between the cost of environmental compliance and the value added to shareholders.

Soh, Kim, and Yu (2018) investigated the relationship between human rights responsibility disclosure and performance in 1,000 Korean firms from 2006 to 2014. The GRI format was used to report about twenty (20) corporate human rights responsibility disclosures, and it was discovered that the items had no consistent associations with performance. Favotto and Kollman (2022) investigated how the incorporation of human rights (as represented by Child Labor, Collective Bargaining, Diversity, Forced Labor, Health & Safety, Privacy, Indigenous Rights, Conflict Minerals, Security Practices, and Living Wage) into the CSR field influenced the business practices and public commitments made by British firms to promote human rights. The CSR reports published by the 50 largest British firms over a 20-year period were examined using content and longitudinal analysis beginning in the late 1990s.

These companies' senior CSR executives were also interviewed. The researchers discovered that firms' articulation of responsibility for human rights expanded over time. Firm commitments, on the other hand, were primarily focused on improving management practices such as due diligence and remediation procedures. Firms are frequently ambiguous and selective in their engagement with substantive human rights, owing to concerns about market competitiveness and broader legitimacy. These findings imply that, while firms cannot completely resist the normative pressures exerted by the CSR field, they do have significant resources and agency in translating such pressures into concrete practices.

Ismail Abd-El-Fattah, Hala, and El Gamal. (2021) conducted an empirical review on corporate governance mechanisms, human rights disclosures, and firm performance, outlining future research directions. The researchers investigated the effect of firms' non-financial disclosures on their performance, using human rights as one of the subcategories of social disclosure. According to reports, human rights disclosures had a positive impact on the company's reputation, which led to increased sales and, as a result, impacted the company's financial performance and shareholders' value added.

Micah, Ofurum, and Ihendinihu (2012) investigated the relationship between human resource accounting disclosure and financial performance of firms in Nigeria in a sample of fifty-two companies and found a positive correlation between the two variables - human right disclosure and financial performance. According to the researchers, this result revealed that human capital or human rights disclosure is demanded by the stakeholders of the companies, and thus recommended a developed standard identifying measuring and human resource. They claimed that the standard would aid in the qualitative appraisal or assessment of human capital and would maintain consistency in reporting and comparing human capital personalities.

Murray Sinclair, Power, and Gray (2006) discovered no link between social and environmental disclosure and stock market performance. Moneva and Ortas (2008) concluded that there was no significant relationship between CSRD and share returns. Dura, Chandrarin, and Subiyantoro (2021) used the triple bottom line approach to assess the impact of social, economic, and environmental performance sustainability disclosures on enterprise financial performance and its effects on company value using 117 listed manufacturing companies on the Indonesia Stock Exchange from 2017 to 2019. The researchers discovered that every aspect of social responsibility disclosure had a positive impact on the financial performance and value of the Indonesian company.

Benjamin and Biswas (2022) investigated the impact of receiving a CSR award on firm value. Workforce Rights, Human Rights, and Product Responsibility were used to calculate the social score. Emissions, resource use, and environmental innovation were used to calculate the environmental score, while management, shareholder, and CSR strategy were used to calculate the governance score. From 2002 to 2018, a total of 14,039 US firms were studied using univariate, bivariate, and multivariate tests. To make inferences, the Instrument Variable GMM was used. Findings show that receiving a CSR award increased value, implying that product responsibility had a positive impact on value creation.

Grewatsch and Kleindienst (2017) conducted a critical review of the literature on business sustainability and financial performance and discovered that approximately 59 percent of studies found a positive relationship between the two variables, while 41 percent stated that the relationship was insignificant. According to studies that support the direct relationship between these variables, sustainable innovations that address social and environmental challenges reduce compliance issues and increase social legitimacy, improving business performance.

Sustainable innovations improved business performance by creating a competitive advantage by adding social, environmental, and economic value (Bacinello, Tontini, Alberton, 2020). Furthermore, when making purchases, consumers consider product ethics and sustainable certification (Cillo, Petruzzelli, Ardito & Del Giudice, 2019). As a result, a sustainable product that adheres to social and ethical principles drew more customers and improved the firm's financial performance (Bangsa & Schlegelmilch, 2020; Bos-Brouwers, 2010).

Crisostomo, de Souza Felipe, and de Vasconcellos (2011) investigated CSRD, firm value, and financial performance in Brazil. For this study, customer relation/product responsibility disclosure and employee relation served as a representation of social disclosure. The evaluation included two hundred and ninety-six (296) Brazilian publicly traded companies. The researchers found a negative relationship between the variables and the dependent variables (return on equity and return on assets). Asogwa, Ugwu, Okereke, Samuel, Igbinedion, Uzuagu, and Abolarinwa (2020) investigated whether increasing CSR activities adds or detracts from firm value in Nigeria. Using GRI disclosure guidelines and the Korean Economic Justice Institute (KEJI) rating formula, a fixed effect regression analytic tool was used to analyse data from a sample of 56 listed firms on the Nigerian Stock Exchange (NSE) between 2009 and 2018. According to the study, firms that engaged in intensive social responsibility had a positive but insignificant effect on their stock value.

Persic and Lahorka (2018) discovered that firms are disclosing social information in their study of the quality of social disclosure in non-financial firms in Croatia, but the authenticity and assessment of such information is questioned because there is no standard for benchmarking.

3. CONCLUSION AND RECOMMENDATION

The main thrust of the study is the review of existing works on social sustainability disclosures and shareholders value to gain insight to what is obtainable in developed, developing economies and in Nigeria. Findings from the study shows that social sustainability disclosures are being practiced across the globe but there exist different levels of compliance to adopted guidelines as disclosures were not mandatory. However, the study revealed universal adoption of Global Reporting Initiative indexes to measure sustainability reporting performance. The study also, shows that social sustainability disclosure which comprises Labour and decent work, Human right, Society, and product responsibility have impact on the value creation. It is therefore imperative for companies to develop suitable internal policies and strategies that will foster more disclosures for expected value creation to remain competitive. Also, Government should enact enabling laws that would compel firms for mandatory disclosures.

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