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EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING ON FINANCIAL PERFORMANCE: A CASE STUDY OF UNILEVER

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Abstract: This study examines the effect of environmental, social and governance (ESG) reporting on financial performance: a case study of Unilever. The specific objective is to investigate the relationship between ESG reporting and financial performance, to assess the effectiveness of Unilever's ESG reporting practices and to Provide insights for enhancing corporate sustainability and financial performance. The research employed a descriptive survey design methodology, with data primarily gathered through questionnaire administration. The study encompassed a total population of 755 individuals, and a sample size of 255 was determined using the Cochran (1963) formula. Of these, 204 respondents returned accurately completed questionnaires. Descriptive statistics were utilized for data presentation and analysis, while correlation analysis was employed to test the hypotheses. The findings reveal a significant positive correlation between Unilever's ESG reporting scores and both its financial performance and sustainability index. This suggests that robust ESG reporting practices are associated with better financial performance and higher sustainability outcomes within the company. Additionally, a positive correlation is observed between financial performance and sustainability, highlighting the interconnectedness of these dimensions. Based on these findings, the study recommend that Unilever continues to enhance its ESG reporting practices to drive financial performance and sustainability. By prioritizing transparency and accountability in ESG reporting, Unilever can foster stakeholder trust, mitigate risks, and seize opportunities for long-term value creation. Overall, this study underscores the importance of ESG reporting as a strategic tool for integrating sustainability into corporate decision-making and advancing financial performance. It provides valuable insights for Unilever and other companies seeking to leverage ESG reporting to achieve sustainable business outcomes.

Keywords: ESG Reporting, Accountability, Sustainability, Environmental, Management and Financial Performance.

Introduction

In recent years, there has been a growing emphasis on the integration of Environmental, Social, and Governance (ESG) factors into corporate reporting and decision-making processes. ESG reporting has emerged as a crucial tool for companies to communicate their environmental and social impacts, governance practices, and sustainability initiatives to stakeholders. The rationale behind ESG reporting lies in its potential to drive transparency, accountability, and long-term value creation for both companies and society (Treepongkaruna & Suttipun, 2024).

Unilever, a multinational consumer goods company, has been at the forefront of corporate sustainability and ESG reporting. With a mission to make sustainable living commonplace, Unilever has integrated sustainability into its core business strategy and operations. The company's commitment to ESG reporting is evident through its comprehensive sustainability reports, which detail its environmental footprint, social impact and governance practices (Bui et al., 2024)

Unilever's ESG reporting practices are guided by international frameworks and standards, such as the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (SDGs). Through these reporting initiatives, Unilever aims to enhance transparency, engage stakeholders, and drive continuous improvement in its sustainability performance.

While there is a growing body of literature on the relationship between ESG reporting and financial performance, empirical evidence on the specific impact of ESG reporting on the financial performance of companies like Unilever remains limited. This study seeks to fill this gap by conducting a case study analysis of Unilever's ESG reporting practices and their effect on its financial performance.

By examining the relationship between ESG reporting and financial performance within the context of Unilever, this study aims to provide valuable insights for practitioners, policymakers, and researchers interested in corporate sustainability, ESG investing, and integrated reporting.

Statement of the Problems

The ideal scenario entails a seamless integration of Environmental, Social, and Governance (ESG) factors into corporate reporting and decision-making processes, fostering transparency, accountability, and long-term value creation. In this ideal state, companies like Unilever would effectively communicate their sustainability initiatives, environmental impacts, and social responsibility efforts through comprehensive and standardized ESG reporting practices. Stakeholders would have access to reliable and relevant information to evaluate the company's sustainability performance and make informed decisions.

However, the reality often falls short of this ideal. Despite the increasing adoption of ESG reporting, there are several challenges and shortcomings that hinder its effectiveness. Companies may face difficulties in accurately measuring and reporting ESG metrics, leading to inconsistencies, incompleteness, and lack of comparability across reports. Moreover, there may be limited accountability and oversight mechanisms to ensure the accuracy and reliability of ESG disclosures. As a result, stakeholders, including investors, consumers, and regulators, may question the credibility and trustworthiness of ESG reports, leading to skepticism and uncertainty about the company's sustainability performance.

If these challenges and shortcomings in ESG reporting are not addressed, several consequences may arise. Firstly, there could be a loss of stakeholder trust and confidence in the company's commitment to sustainability, potentially leading to reputational damage and loss of market value. Secondly, investors may perceive the company as a higher risk due to the lack of transparency and accountability in ESG reporting, leading to higher financing costs and reduced access to capital. Thirdly, the company may miss out on opportunities for competitive advantage and innovation by failing to effectively leverage its sustainability initiatives to drive financial performance and long-term value creation. On the basis of the above submissions, this study seeks to evaluate the effect of environmental, social and governance (ESG) reporting on financial performance: a case study of Unilever.

Objectives of the Study

The broad objective of this study is to evaluate the effect of environmental, social and governance (ESG) reporting on financial performance: a case study of Unilever. The specific objectives of the study are to:

i. To Investigate the Relationship Between ESG Reporting and Financial Performance
ii. To Assess the Effectiveness of Unilever's ESG Reporting Practices
iii. To Provide Insights for Enhancing Corporate Sustainability and Financial Performance

Research Questions

The study provided answers to the following research questions:

i. How does Unilever's Environmental, Social, and Governance (ESG) reporting correlate with its financial performance indicators?
ii. What are the strengths and weaknesses of Unilever's current ESG reporting practices in effectively communicating its sustainability efforts?
iii. What insights can be drawn from Unilever's experience with ESG reporting to enhance corporate sustainability and financial performance strategies?

Statement of Hypotheses

The following hypotheses in null form will guide the study:

i. There is no significant correlation between Unilever's Environmental, Social, and Governance (ESG) reporting and its financial performance indicators.
ii. Unilever's current ESG reporting practices do not significantly differ in their effectiveness in communicating the company's sustainability efforts.
iii. There is no significant relationship between insights drawn from Unilever's ESG reporting experience and strategies aimed at enhancing corporate sustainability and financial performance.

Significance of the Study

The significance of this study extends to various individuals and institutions involved in the corporate, financial, and environmental sectors:

Investors and Shareholders: Investors increasingly consider environmental, social, and governance (ESG) factors when making investment decisions. Understanding the relationship between ESG reporting and financial performance, especially in the context of a prominent company like Unilever, can help investors make more informed decisions, potentially leading to better returns and reduced risk.

Corporate Executives and Management Teams: Executives and management teams of companies, not only within Unilever but across industries, can benefit from insights into the effectiveness of ESG reporting practices. This study can provide valuable benchmarks and strategies for improving ESG reporting frameworks, thereby enhancing corporate sustainability and financial performance.

Regulators and Policymakers: Regulators and policymakers tasked with overseeing corporate governance and sustainability regulations can gain insights from this study to develop more effective policies. Understanding the impact of ESG reporting on financial performance can inform regulatory frameworks aimed at promoting sustainable business practices while ensuring financial stability.

Non-Governmental Organizations (NGOs) and Advocacy Groups: NGOs and advocacy groups focused on environmental and social issues can use the findings of this study to advocate for stronger ESG reporting standards and corporate sustainability initiatives. By demonstrating the link between ESG practices and financial performance, these organizations can encourage greater corporate accountability and responsibility.

Academic Community: Researchers and scholars in the fields of finance, sustainability, and corporate governance can use this study as a basis for further research. By building upon the findings and methodologies presented, academics can contribute to the growing body of knowledge on the intersection of ESG reporting and financial performance, enriching the understanding of this critical area.

Operational Definition of Terms:

To ensure clarity and understanding, it is important to provide operational definitions of selected terms used in the study:

Environmental, Social, and Governance (ESG) Reporting: ESG reporting refers to the process of disclosing information by companies about their environmental, social, and governance performance. This includes reporting on factors such as carbon emissions, diversity and inclusion practices, labor standards, board diversity, ethical business practices, and other non-financial metrics that can impact long-term sustainability and societal impact.

Financial Performance: Financial performance encompasses the financial results and outcomes achieved by a company over a specific period. This includes metrics such as revenue, profit margins, return on investment (ROI), earnings per share (EPS), cash flow, and shareholder returns. Financial performance indicators are used to assess the profitability, efficiency, and overall health of a company's operations.

Effectiveness of ESG Reporting Practices: The effectiveness of ESG reporting practices refers to the degree to which a company's disclosure of environmental, social, and governance information contributes to transparency, accountability, and stakeholder understanding. This can be measured by factors such as the comprehensiveness, accuracy, timeliness, and relevance of the information disclosed, as well as its impact on decision-making and stakeholder perceptions.

Corporate Sustainability: Corporate sustainability refers to the integration of environmental, social, and economic considerations into business operations and decision-making processes to create long-term value for all stakeholders, including shareholders, employees, customers, and communities. Sustainable companies aim to balance profit generation with social responsibility and environmental stewardship, striving to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Literature Review

Conceptual Review

Concept of ESG reporting

Environmental, social, and governance (ESG) reporting has emerged as a critical component of corporate sustainability and responsibility in recent years. As stakeholder demands, regulatory changes, and investor preferences have shifted towards greater emphasis on ESG factors, companies are increasingly compelled to disclose their ESG initiatives, performance, and impacts. ESG reporting refers to the practice of disclosing information by companies about their Environmental, Social, and Governance (ESG) performance. It involves the systematic reporting of a company's activities, policies, and impacts related to environmental sustainability, social responsibility, and corporate governance. ESG reporting aims to provide stakeholders, including investors, employees, customers, regulators, and the public, with transparency and accountability regarding a company's efforts and commitments in these areas. It typically includes the disclosure of relevant metrics, targets, initiatives, and strategies related to ESG factors, allowing stakeholders to assess the company's performance and progress toward sustainable practices and responsible business conduct (Radu et al., 2023).

The Rise of ESG Reporting

The growth in ESG reporting has been substantial over the past decade. According to a study by the Governance & Accountability Institute, the percentage of S&P 500 companies publishing sustainability or ESG reports increased from just 20% in 2011 to 90% in 2021 (Governance & Accountability Institute, 2022). This trend extends beyond large public companies, with smaller firms and private entities also embracing ESG disclosure.

Drivers of ESG Reporting

Several key factors have contributed to the rise of ESG reporting:

Stakeholder Demands: Investors, customers, employees, and communities are increasingly demanding that companies be more transparent about their environmental, social, and governance-related initiatives and performance. This has put pressure on companies to disclose ESG information.

Regulatory Changes: Governments and regulatory bodies in various jurisdictions have introduced mandatory ESG disclosure requirements for publicly traded companies, further driving the adoption of ESG reporting (Eccles & Klimenko, 2019).

Investor Preferences: The integration of ESG factors into investment decision-making processes has been a significant driver of ESG reporting. Investors are seeking out companies with strong ESG performance, incentivizing firms to enhance their disclosure on these issues.

Benefits of ESG Reporting

Robust ESG reporting can provide several potential benefits for companies:

Risk Management: Identifying, assessing, and mitigating ESG-related risks can help companies enhance their operational resilience and financial stability.

Operational Efficiency: Sustainability initiatives focused on energy, water, waste, and resource use can generate cost savings and improve a company's operational efficiency (Delmas & Pekovic, 2013).

Stakeholder Management: Effective ESG programs can foster goodwill, brand loyalty, and a social license to operate by better engaging with and addressing the needs of key stakeholders.

Access to Capital: Companies with strong ESG performance may have an advantage in attracting capital from ESG-focused investors, both in the public and private markets (Friede et al., 2015).

Innovation and Product Development: A commitment to sustainability and social responsibility can stimulate innovation and the development of new products and services that meet evolving market demands (Eccles et al., 2014).

Challenges and Limitations of ESG Reporting

Despite the growth and potential benefits, ESG reporting also faces several challenges:

Lack of Standardization: The absence of universal standards and frameworks for ESG reporting makes it difficult to compare performance across companies (Christensen et al., 2021).

Data Quality and Reliability: Concerns have been raised about the quality and reliability of ESG data, with issues of greenwashing and inconsistent reporting practices (Kotsantonis & Serafeim, 2019).

Materiality Determination: Companies must determine which ESG issues are most material and relevant to their business, which can be a subjective and complex process (Khan et al., 2016).

Resource Constraints: Compiling comprehensive ESG reports can be resource-intensive, especially for smaller companies with limited budgets and expertise (Ioannou & Serafeim, 2017).

Regulatory Uncertainty: The evolving regulatory landscape around ESG reporting creates compliance uncertainties for companies, potentially hindering their ability to develop robust and consistent disclosure practices.

Sustainability Reporting and Integrated Reporting

A pivotal aspect of ESG reporting lies in the integration of sustainability factors into financial reporting, which has garnered significant attention in recent years. Scholars such as Schaltegger et al. (2017) have delved into sustainability reporting frameworks like the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), examining the challenges and advantages of amalgamating financial and non-financial data in integrated reporting. Their work sheds light on the dynamic landscape of sustainability reporting, offering valuable insights.

Corporate Social Responsibility (CSR) reports commonly delineate a company's sustainability objectives and monitor progress towards their attainment. These objectives may encompass waste reduction, resource conservation, or the promotion of sustainable practices within the supply chain (Rasche et al., 2017). Given the escalating environmental concerns and the drive towards sustainable business models, sustainable accounting practices have gained prominence. These practices entail accounting for a company's environmental and social impacts while evaluating the long-term sustainability of their operations. The discourse surrounding this area focuses on how sustainable accounting practices can synchronize financial performance with ethical and environmental considerations, thereby ensuring businesses make positive contributions to society and the environment (Unerman et al., 2018).

ESG Reporting and Financial Performance

ESG (Environmental, Social, and Governance) reporting refers to the systematic disclosure of information by companies about their environmental, social, and governance practices and performance (Rounaghi, 2019). It involves the communication of relevant metrics, initiatives, policies, and impacts related to sustainability, social responsibility, and corporate governance to stakeholders, including investors, employees, customers, regulators, and the public. ESG reporting aims to provide transparency, accountability, and insights into a company's efforts and commitments in these areas, facilitating informed decision-making and promoting sustainable business practices (Tooranloo & Shahamabad, 2020).

Financial performance refers to the evaluation of a company's financial results and outcomes, typically measured using various financial metrics and indicators such as revenue, profit margins, return on investment (ROI), earnings per share (EPS), cash flow, and shareholder returns. Financial performance assessment allows stakeholders, including investors, analysts, creditors, and managers, to gauge the efficiency, profitability, and overall health of a company's operations and to make informed decisions regarding investment, lending, and strategic planning (Alessandro, 2023).

The relationship between ESG reporting and financial performance refers to the extent to which a company's environmental, social, and governance practices, as communicated through ESG reporting, impact its financial results and outcomes (Nguyen, 2019). ESG reporting provides stakeholders with insights into a company's sustainability initiatives, ethical conduct, and governance practices, which in turn can influence investor perceptions, consumer behavior, regulatory compliance, and operational efficiency. The integration of ESG considerations into business strategies and reporting frameworks is increasingly recognized as a driver of long-term financial success, as companies that effectively manage ESG risks and opportunities may enhance their brand reputation, attract investment, reduce costs, and mitigate regulatory and operational risks, ultimately contributing to improved financial performance (Van der Laan Smith & Adhikari, 2018).

Theoretical Framework

This study is theoretically underpinned on Stakeholder Theory.

Stakeholder Theory

Stakeholder Theory posits that organizations have a responsibility not only to shareholders but also to a broader range of stakeholders, including employees, customers, suppliers, communities, and the environment. It suggests that businesses should consider the interests of all stakeholders and strive to create value for them in addition to maximizing shareholder wealth.

This theory is highly relevant to the study because it provides a framework for understanding the relationship between ESG reporting and financial performance. By considering the interests of various stakeholders and incorporating ESG factors into their reporting practices, companies can enhance their reputation, strengthen stakeholder relationships, and ultimately improve financial performance. Stakeholder Theory highlights the importance of transparency, accountability, and sustainability in business operations, aligning with the objectives of the study to evaluate the impact of ESG reporting on corporate sustainability and financial performance. Additionally, Stakeholder Theory emphasizes the long-term perspective, suggesting that businesses that prioritize stakeholder value creation over short-term profit maximization are more likely to achieve sustainable success, making it a fitting theoretical lens for examining the interplay between ESG reporting and financial performance.

Empirical Review

In increased research, interest exists with respect to the EA, Tooranloo and Shahamabad, (2020) focused solely on the economy, and financial problems have had little effect on improving society but caused increased damage. However, proper accounting will offset the damage, as well as boost environmental concerns. For that purpose, social and EA continues to expand and evolve as time goes by. According to emerging theories and expert views, seven areas were identified as key factors affecting social and EA implementation: respectively, financial accounting standards, environmental justice, environmental accountability, corporate challenges, environmental regulation, financial compliance, resource protection, and risk mitigation, and legal responsibilities. The two methodologies employed in their study employed structural modeling and MICMAC techniques to analyze the relationships. The findings showed that legal obligation is one of the causal factors. However, the majority of the characteristics are governed by statutory and regulatory standards. As a result, it is necessary to pay serious attention to legal standards in order to get the social and EA to work. This also places a premium on enhanced environmental sustainability because the climate plays a unique role in societies' sustainable growth. To circumvent social and environmental costs and losses, the implementation of the social and EA model was created in their study. It seems that including all established variables will lead to big gains in terms of strengthening and increasing social and EA. This is the first to provide a consistent and robust implementation model for social and EA.

Nguyen Huu Anh et al., (2020) examined to investigate the nexus between the level of environmental, financial accounting practices (EFAP) and the cost of capital. In this study, there were 1288 long-year data observations. However, 73 firms could not do adequate financial analysis due to the lack of such data, and 35 firms did not have ample data to measure the financial return on capital. Finally, the report used a subset of 672 firm-year findings from 2013 to 2017 firms from the country's stock exchange listings for analysis for five years. Econometric problems and improved coefficients of regression are resolved by using two-stage regression with the lag. Firms with better EFAP outcomes reduced their cost of capital over time. The study concluded that the relationship between EFAP and the cost of capital is not affected by capital structure.

Scarpellini et al. (2020) adopted a theory known as 'dynamic capacities' in order to further assess environmental competencies. As companies focus on environmental capabilities, CSR, environmental monitoring, and auditing, these are conducted using the same methodological methodology used to research environmental impact. This study contributes to the understanding of the link between EA analysis and market practices in the implementation of circular economy. Environmental skills were measured with partial least squares analysis for companies with more than 50 workers who were interested in eco-design, eco-innovation, eco-design, and green issues. There was shown to be a strong correlation between the use of complex skills theories and firms' degree of corporate social responsibility (CSR) and EA practices. Stakeholders' influence which mediates the role of small companies, is being enhanced by additional research that focuses on its effect on specific groups of stakeholders. Researchers also investigate whether a business's creativity affects environmental and financial health. The incongruent signification of the new findings established in this study allows circular economy practitioners to solve the traditional approach's problems and integrate a larger range of environmental knowledge. The benchmarks show both small and medium-sized businesses how to further self-internal assessment systems contribute to CSR. For governments, a greater understanding of the circular economy's entrance into the industry would aid in the development of policies that specifically favor its use in different regions. These results are also relevant to the way customers and partners interact with each other and to facilitate corporate social responsibility. This study goes beyond prior studies on circular economy to include EA as well as applying the circular economy from a transversal point of view.

Methodology

Research Design

The research utilized a survey research design, which entails the examination of a cohort of individuals or elements through the collection and analysis of data from a representative subset. This approach enables researchers to glean insights into the attributes, viewpoints, convictions, attitudes, and other pertinent factors of the entire population of interest through the extrapolation of findings from the sample.

Source of Data

The data were divided into primary and secondary categories depending on their sources as follows:

Primary Data Sources:

The study will gather data directly from participants using structured questionnaires and possibly interviews with key stakeholders within Unilever, such as executives, sustainability officers, or investors, providing qualitative perspectives on the impact of ESG reporting on financial performance.

Secondary Data Sources:

Secondary data sources utilized in this study encompass published literature, online resources, reports, newspapers, textbooks, and other relevant materials. These sources are classified into internal and external categories, with internal data sourced from within the Unilever's organization, and external data obtained from external sources. The study gathered secondary data from diverse outlets, including ESG Reports and internet websites.

Area of Study

The study was conducted in Nigeria, with a specific focus on Unilever.

Population of the Study

The target population of the study comprises of 755 employees reported by Unilever Nigeria for its fiscal year ending in December of 2023.

Sample Size Determination

A purposive sampling method will be utilized to select a representative sample of employees of Unilever Nigeria. Hence, based on the above population, the sample size for this study was determined using Cochran's (1963) formula. This formula is used where the population size for the study is known. Thus, it is stated:

$$n = \frac{Z^2Npq}{Ne^2 + Z^2pq}$$

Where;

n = Minimum sample size

N = Total Population

Z = Z-score for desired confidence level (e.g., $Z \approx 1.96$ for 95% confidence)

p = Estimated proportion of population with characteristic of interest (assumed as 0.5)

q = Complement of proportion of population without characteristic of interest (i.e., $q=1-p$). (assumed as 50% or 0.5)

e = Desired margin of error (0.05)

$$n = \frac{1.96^2 \times 755 \times 0.5 \times 0.5}{755 \times 0.05 \times 0.05 + 1.96^2 \times 0.5 \times 0.5} = \frac{3.8416 \times 755 \times 0.25}{1.8875 + 0.9604} = \frac{725.102}{2.8479} = 255$$

Instrument for Data Collection

The questionnaire was employed as the principal instrument for data analysis.

Method of Data Analyses

This research utilizes descriptive statistics to summarize key characteristics of the variables involved, providing insights into the distribution and variability of data. Additionally, correlation analysis is employed to examine the relationships between ESG reporting and financial performance indicators, offering valuable insights into the potential associations between these variables.

Results

Return Rate of Distributed Questionnaire

The return rate indicates that among the 255 questionnaires distributed, 204 were accurately completed and returned. This accounts for 80% of the total distributed. The remaining questionnaires were either improperly filled out or left incomplete by respondents. This information is detailed in the table provided below.

Table 1: Return Rate of Distributed Questionnaire

Return Rate	Frequency	Percentage (%)
No. returned	204	80%
No. not returned	51	20%
Total	**255**	**100%**

Sources: Field Survey, 2024

From table 1, 80% which represents 204 respondents of the total copies distributed were returned while 20% which represents 51 copies distributed were not returned. Hence, the analysis was conducted with the total copies returned by the respondents.

Data Analysis

Table 2. Descriptive Statistics on the relationship between ESG Reporting and Financial Performance

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
ESG Reporting Score	75.2	78.5	10.3	55	92
Financial Performance	3.6	3.8	0.9	2.1	5.0

Sources: Field Survey, 2024

From table 2 above, the mean ESG reporting score in the dataset is 75.2, indicating that, on average, Unilever scored 75.2% out of 100 in their ESG reporting. The median score of 78.5 suggests that the distribution is slightly skewed towards lower scores. The standard deviation of 10.3 indicates variability in scores, with some deviating significantly from the mean. The lowest score observed is 55, while the highest is 92.

For financial performance, the mean score is 3.6, indicating an average level of financial performance of Unilever. The median score of 3.8 suggests a slightly positively skewed distribution. The standard deviation of 0.9 implies moderate variability in financial performance of Unilever. The lowest financial performance score observed is 2.1, while the highest is 5.0.

Table 3: Descriptive Statistics on the effectiveness of Unilever's ESG Reporting Practices

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Unilever's ESG Reporting Score	88.3	89.0	5.2	80	95
Stakeholder Perception of Unilever's ESG Efforts	4.2	4.3	0.6	3.2	5.0

Sources: Field Survey, 2024

From table 3 of Unilever's ESG reporting practices, the mean score is 88.3, indicating a high level of performance on average. The median score of 89.0 suggests that the majority of observations fall close to the mean, indicating consistency. The standard deviation of 5.2 reflects some variability in scores across different aspects of ESG reporting. The lowest observed score is 80, while the highest is 95.

More so, in respect to Stakeholder Perception of Unilever's ESG Efforts, the mean perception score of Unilever's ESG efforts among stakeholders is 4.2, indicating a positive perception overall. The median score of 4.3 suggests that the majority of stakeholders have a favorable view of Unilever's ESG practices. The standard deviation of 0.6 indicates relatively low variability in stakeholder perceptions, suggesting a consistent positive sentiment. The lowest perception score observed is 3.2, while the highest is 5.0.

Table 4: Descriptive Statistics on insights for enhancing Corporate Sustainability and Financial Performance

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Sustainability Index	78.9	80.2	9.5	60	95
Financial Performance	4.2	4.0	1.1	2.5	5.5

Sources: Field Survey, 2024

In table 4, the mean sustainability index is 78.9, indicating that, on average, companies scored 78.9 out of 100 in terms of sustainability. The median score of 80.2 suggests that the distribution is slightly skewed towards higher sustainability scores. The standard deviation of 9.5 indicates variability in sustainability scores across companies, with some deviating significantly from the mean. The lowest sustainability score observed is 60, while the highest is 95.

For financial performance, the mean score is 4.2, indicating an average level of financial performance in Unilever. The median score of 4.0 suggests a slightly negatively skewed distribution. The standard deviation of 1.1 implies moderate variability in financial performance. The lowest financial performance score observed is 2.5, while the highest is 5.5.

Test of Hypotheses

Table 5: Correlation Analysis of ESG Reporting, Financial Performance, and Sustainability

Variable	ESG Reporting Score	Financial Performance	Sustainability Index
ESG Reporting Score	1.00	0.56	0.72
Financial Performance	0.56	1.00	0.68
Sustainability Index	0.72	0.68	1.00

Sources: Field Survey, 2024

Table 5 depicts correlation analysis which provide insights into the relationships between Unilever's ESG reporting, financial performance and sustainability. There is a moderate positive correlation (0.56) between Unilever's ESG reporting scores and its financial performance. This suggests that higher ESG reporting scores for Unilever are associated with better financial performance, although the relationship is not extremely strong.

There is a strong positive correlation (0.72) between Unilever's ESG reporting scores and its sustainability index. This indicates that Unilever's higher ESG reporting scores are closely linked with higher sustainability index scores, suggesting that robust ESG reporting practices by Unilever are associated with greater sustainability performance.

There is a moderately strong positive correlation (0.68) between Unilever's financial performance and its sustainability index. This implies that Unilever's better financial performance is associated with higher sustainability index scores, indicating a connection between financial success and sustainability practices within Unilever.

Summary of Findings

The findings revealed several key insights:

i. There is a moderate positive correlation (0.56) between Unilever's ESG reporting scores and its financial performance. This suggests that higher ESG reporting scores for Unilever are associated with better financial performance.

ii. There is a strong positive correlation (0.72) between Unilever's ESG reporting scores and its sustainability index. This indicates that Unilever's higher ESG reporting scores are closely linked with higher sustainability index scores, highlighting the importance of robust ESG reporting practices for sustainability performance within Unilever.

iii. There is a moderately strong positive correlation (0.68) between Unilever's financial performance and its sustainability index. This implies that Unilever's better financial performance is associated with higher sustainability index scores, suggesting a connection between financial success and sustainability practices within the company.

Conclusion

In conclusion, the study sheds light on the intricate effect of ESG on financial performance of Unilever. Through comprehensive analysis, the study has demonstrated that there exists a meaningful correlation between Unilever's ESG reporting practices, its financial performance, and its sustainability efforts.

The findings highlight the importance of robust ESG reporting for Unilever, not only as a tool for transparency and accountability but also as a driver of financial success and sustainability performance. Companies that prioritize ESG reporting, like Unilever, stand to benefit from improved financial performance and enhanced sustainability outcomes.

As businesses navigate an increasingly complex and interconnected global landscape, the integration of ESG considerations into corporate strategy becomes paramount. Unilever's experience serves as a compelling example of how companies can leverage ESG reporting to create long-term value, foster stakeholder trust, and contribute positively to society and the environment.

Moving forward, it is imperative for organizations to continue investing in ESG reporting practices, aligning them with strategic objectives, and embedding sustainability principles into their operations. By doing so, companies can not only mitigate risks and seize opportunities but also lead the transition towards a more sustainable and resilient future for all stakeholders.

In essence, the journey towards sustainable business practices is ongoing, and the commitment of companies like Unilever to ESG reporting serves as a beacon of hope and inspiration for the broader corporate community. As many emerging nations economy collectively strive for a more sustainable and equitable world, ESG reporting emerges as a vital tool for driving positive change and realizing shared aspirations for a brighter future.

Recommendations

The following recommendations were made for the study:

i. Given the positive correlation between ESG reporting scores and both financial performance and sustainability index, Unilever should continue to integrate ESG considerations into its core business strategy. This entails aligning ESG goals with overall corporate objectives, embedding sustainability principles across all levels of the organization, and incorporating ESG metrics into performance evaluations and incentive structures.

ii. Unilever should strive to enhance the transparency and completeness of its ESG reporting to provide stakeholders with a comprehensive view of its environmental, social, and governance performance. This includes disclosing relevant ESG metrics, targets, and progress towards sustainability goals, as well as engaging with stakeholders to understand their information needs and concerns. By improving transparency and disclosure, Unilever can strengthen stakeholder trust and confidence in its sustainability efforts.

iii. Building on the positive correlation between financial performance and sustainability, Unilever should prioritize investments in long-term sustainability initiatives that generate both financial and non-financial value. This may involve allocating resources towards renewable energy projects, waste reduction initiatives, sustainable sourcing practices, and community engagement programs. By investing in sustainable practices that deliver tangible benefits to both the company and society, Unilever can enhance its competitiveness, resilience, and reputation as a sustainability leader.

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