

## **Sustainable Development Reporting and Financial Performance: A Systematic Literature Review 2019-2024**

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### **Abstract**

This systematic literature review examines the relationship between sustainable development reporting (SDR) and corporate financial performance (CFP), synthesizing empirical evidence from studies published between 2019 and 2024. The review addresses the ongoing debate regarding whether sustainability disclosure creates or destroys shareholder value. Following PRISMA 2020 guidelines, this review analyzed 88 peer-reviewed empirical articles from Scopus, Web of Science, and Google Scholar. Studies were categorized by relationship direction, performance metrics used, reporting frameworks examined, and contextual moderators. The majority of studies (59%) report a positive relationship between SDR and CFP, supporting stakeholder theory and signaling theory. Mixed results (27%) suggest the relationship is contingent on moderating factors including firm size, industry, geographic region, and reporting quality. Negative relationships (9%) are primarily associated with short-term cost perspectives. GRI-aligned reporting and external assurance strengthen the positive SDR-CFP relationship. Market-based measures (Tobin's Q) show stronger positive associations than accounting-based measures (ROA, ROE). This review provides a comprehensive framework integrating SDR dimensions, transmission mechanisms, and performance outcomes. It identifies critical moderating factors and offers actionable insights for practitioners while highlighting gaps for future research, including the need for longitudinal studies and investigation of SDG-specific reporting impacts.

**Keywords:** Sustainable Development Reporting, ESG Disclosure, Financial Performance, Sustainability Reporting, GRI, SDGs, Systematic Literature Review

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## INTRODUCTION

The relationship between sustainable development reporting (SDR) and corporate financial performance (CFP) has attracted substantial scholarly attention over the past decade. As organizations face increasing pressure from stakeholders to demonstrate commitment to environmental stewardship, social responsibility, and good governance, understanding whether such disclosures translate into financial benefits has become a critical question for both academics and practitioners.

The adoption of sustainability reporting has grown exponentially, driven by regulatory mandates, investor demands, and societal expectations. The Global Reporting Initiative (GRI) standards have become the most widely adopted framework, with over 10,000 organizations worldwide using GRI guidelines for sustainability disclosure. The United Nations Sustainable Development Goals (SDGs), adopted in 2015, have further accelerated corporate engagement with sustainability reporting as companies seek to demonstrate alignment with global development priorities.

Despite the proliferation of sustainability reporting, the empirical evidence regarding its impact on financial performance remains fragmented and sometimes contradictory. Some researchers argue that sustainability disclosure enhances financial performance through improved stakeholder relationships, reduced cost of capital, and enhanced reputation. Others contend that sustainability reporting imposes costs without commensurate financial benefits, particularly in the short term. This lack of consensus presents challenges for corporate decision-makers considering investments in sustainability reporting infrastructure.

This systematic literature review addresses this knowledge gap by synthesizing empirical evidence on the SDR-CFP relationship from studies published between 2019 and 2024. This period is particularly relevant given the acceleration of sustainability reporting regulations, including the EU Corporate Sustainability Reporting Directive (CSRD), the emergence of the International Sustainability Standards Board (ISSB), and the growing integration of ESG factors into investment decision-making.

## THEORETICAL BACKGROUND

### Defining Sustainable Development Reporting

Sustainable development reporting encompasses the disclosure of environmental, social, and governance (ESG) information by organizations. It extends beyond traditional financial reporting to communicate an organization's impacts on the economy, environment, and society. The Global Reporting Initiative defines sustainability reporting as “the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.”

Key frameworks guiding sustainability reporting include the GRI Standards (the most widely adopted), the Sustainability Accounting Standards Board (SASB) standards, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the emerging ISSB standards (IFRS S1 and S2). The United Nations SDGs provide an overarching framework linking corporate sustainability efforts to global development priorities.

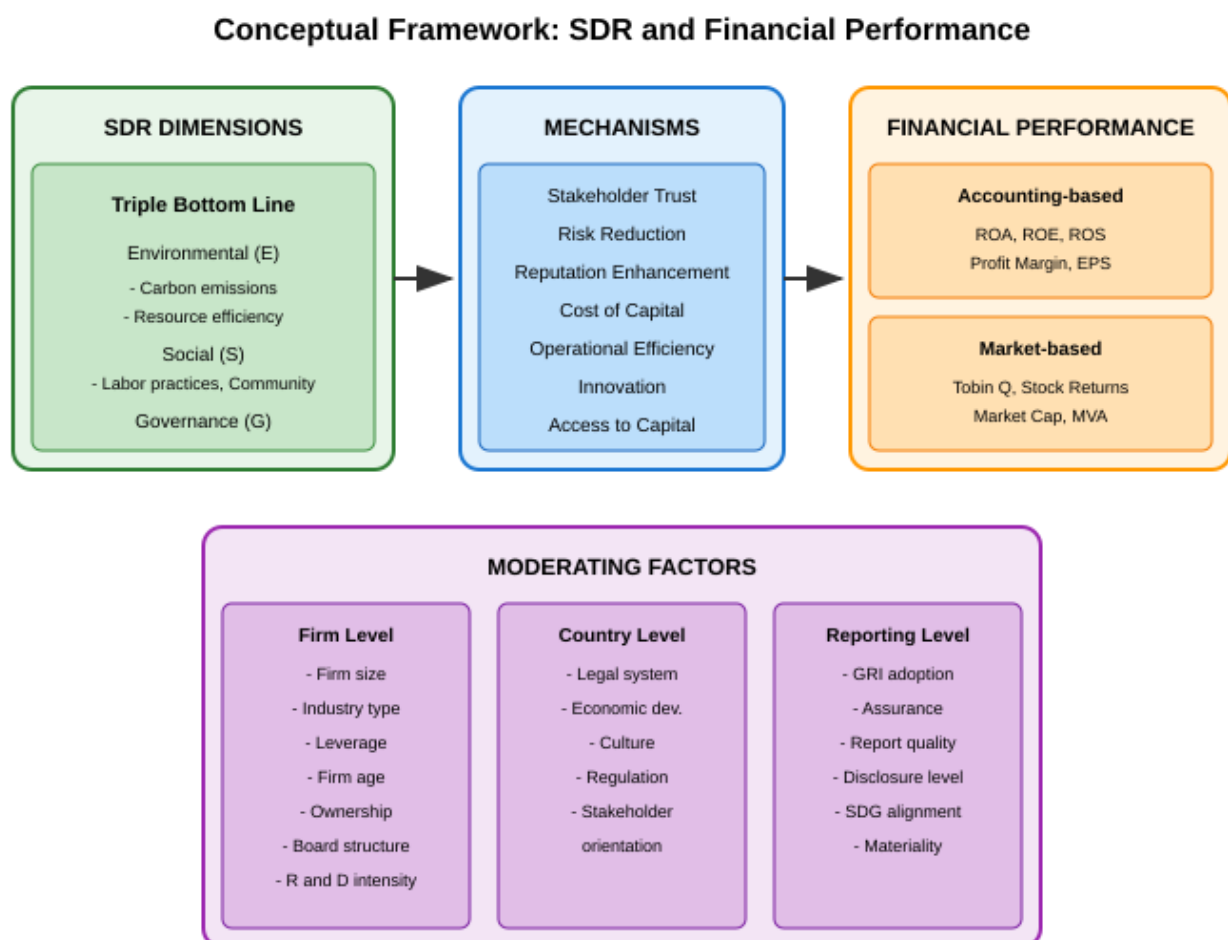
### Theoretical Perspectives

- a. **Stakeholder Theory:** Freeman's stakeholder theory posits that organizations must create value for multiple stakeholder groups—not just shareholders. Sustainability reporting serves as a mechanism for communicating with diverse stakeholders, building trust, and maintaining the social license to operate. By addressing stakeholder concerns through transparent disclosure, firms can enhance relationships that ultimately support financial performance.

- b. **Legitimacy Theory:** Legitimacy theory suggests that organizations engage in sustainability reporting to maintain congruence between their activities and societal expectations. Disclosure serves as a tool for managing organizational legitimacy, particularly in environmentally sensitive industries. Failure to report on sustainability matters may threaten organizational legitimacy and, consequently, financial performance.
- c. **Signaling Theory:** Signaling theory proposes that high-quality sustainability disclosure signals superior management quality and commitment to long-term value creation. In conditions of information asymmetry, sustainability reports provide credible signals to investors and other stakeholders, potentially reducing cost of capital and enhancing firm valuation.
- d. **Resource-Based View:** The resource-based view emphasizes that sustainability capabilities—including the ability to measure, manage, and communicate sustainability performance—can constitute valuable, rare, and inimitable resources that provide competitive advantage. Firms with superior sustainability reporting capabilities may achieve better financial outcomes through operational efficiencies and differentiation.

### Conceptual Framework

Building on these theoretical foundations, Figure 1 presents the conceptual framework guiding this review. The framework illustrates the pathways through which SDR may influence financial performance, incorporating moderating factors at firm, country, and reporting levels.



**Figure 1.** Conceptual Framework – SDR and Financial Performance Relationship

## METHODOLOGY

### Review Protocol

This systematic review follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 guidelines. A review protocol was established a priori, specifying search strategies, eligibility criteria, and analytical procedures to ensure transparency and reproducibility.

### Search Strategy

A comprehensive literature search was conducted across three databases: Scopus, Web of Science, and Google Scholar. The search was limited to peer-reviewed journal articles published in English between January 2019 and December 2024.

Search terms combined keywords related to sustainability reporting and financial performance: (“sustainability report\*” OR “ESG disclos\*” OR “CSR report\*” OR “GRI” OR “SDG report\*” OR “environmental disclos\*” OR “social disclos\*”) AND (“financial performance” OR “firm performance” OR “ROA” OR “ROE” OR “Tobin’s Q” OR “firm value” OR “profitability”).

### Inclusion and Exclusion Criteria

#### 1. Inclusion criteria:

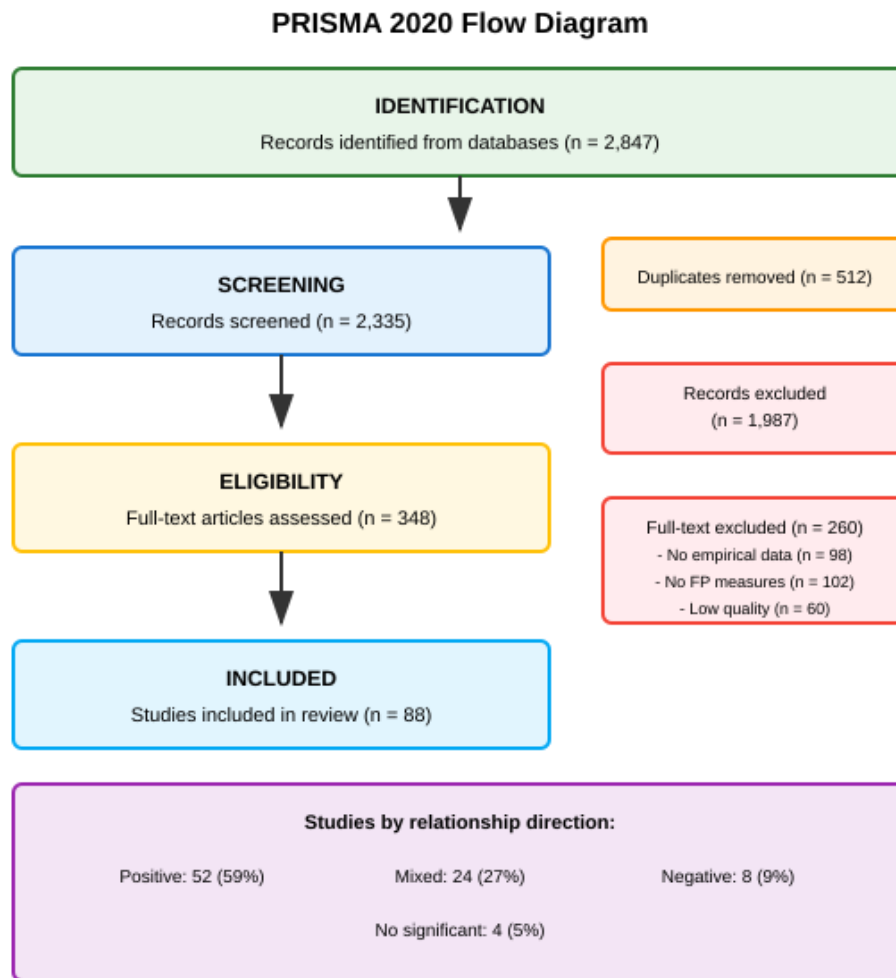
- a. Empirical studies examining the relationship between sustainability/ESG disclosure and financial performance
- b. Studies using quantifiable measures of both sustainability reporting and financial performance
- c. Peer-reviewed journal articles published between 2019 and 2024
- d. Articles in English

#### 2. Exclusion criteria:

- a. Conceptual or theoretical papers without empirical analysis
- b. Studies focusing solely on environmental performance without disclosure component
- c. Conference papers, working papers, and dissertations
- d. Studies with insufficient methodological rigor

### Study Selection

The initial search yielded 2,847 records. After removing 512 duplicates, 2,335 records were screened based on titles and abstracts. Following screening, 348 articles were assessed for eligibility through full-text review. The final sample comprised 88 studies meeting all inclusion criteria. Figure 2 presents the PRISMA flow diagram illustrating the selection process.



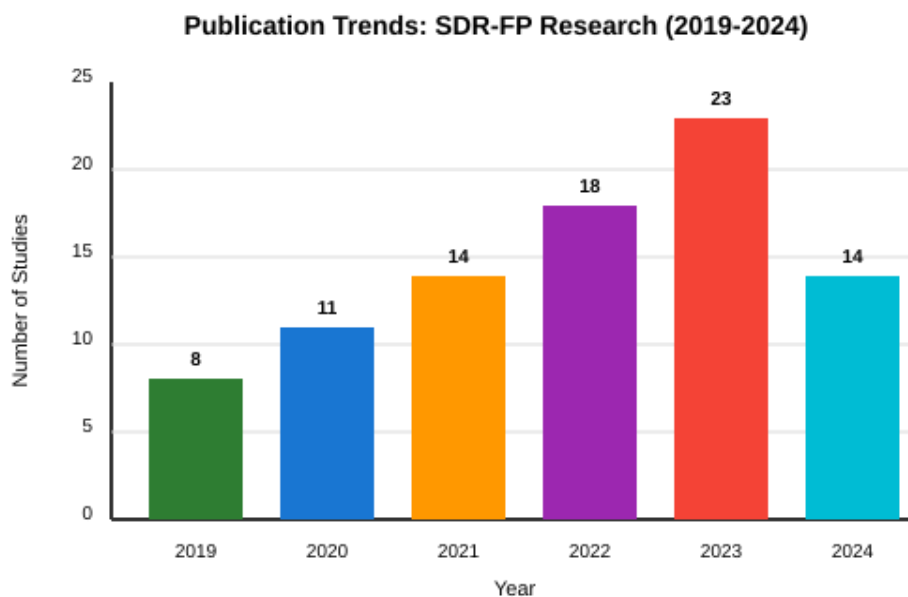
**Figure 2.** PRISMA Flow Diagram

## RESULT AND DISCUSSION

### Result

#### Descriptive Overview

The 88 included studies span the period 2019-2024, with publication volume peaking in 2023. Figure 3 illustrates the annual distribution of publications.



**Figure 3.** Publication Trends (2019-2024)

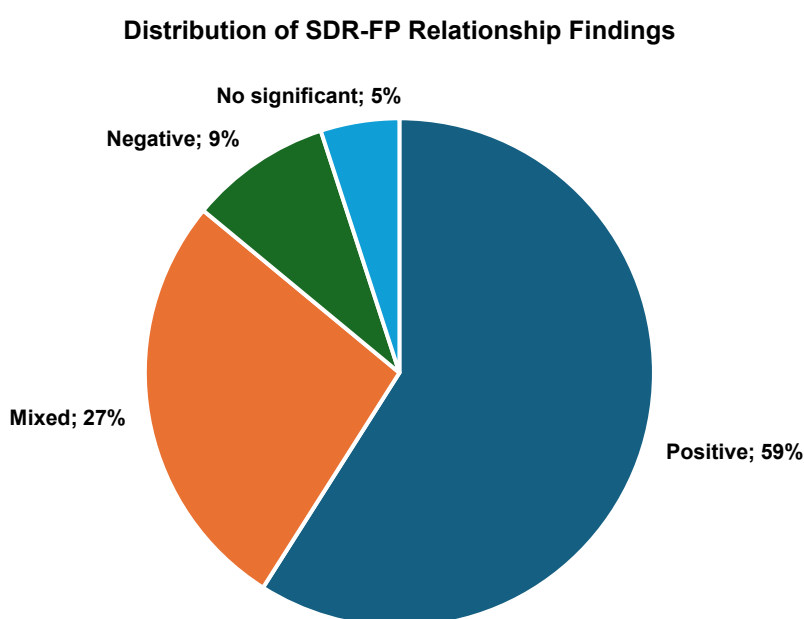
Geographically, studies originated from diverse contexts: Asia (38%), Europe (32%), North America (15%), and other regions (15%). The predominance of Asian studies reflects growing regulatory emphasis on sustainability disclosure in markets such as China, India, and ASEAN countries.

**Table 1.** Distribution of Studies by Region and Period

Region	2019-2021	2022-2024	Total	Percentage
Asia	14	19	33	38%
Europe	12	16	28	32%
North America	5	8	13	15%
Other	6	8	14	15%
<b>Total</b>	<b>37</b>	<b>51</b>	<b>88</b>	<b>100%</b>

### Direction of the SDR-CFP Relationship

The primary finding of this review is that the majority of studies (59%, n=52) report a positive relationship between sustainable development reporting and corporate financial performance. This supports the theoretical proposition that sustainability disclosure creates value for organizations. Figure 4 illustrates the distribution of findings.



**Figure 4.** Distribution of SDR-CFP Relationship Findings

Mixed results (27%, n=24) indicate that the relationship varies depending on contextual factors such as industry, firm size, and geographic region. Negative relationships (9%, n=8) are predominantly observed in studies examining short-term performance measures or high-disclosure-cost contexts. A small proportion (5%, n=4) found no statistically significant relationship.

### Financial Performance Metrics

Studies employed various measures of financial performance, categorized as accounting-based (profitability ratios) and market-based (valuation measures). Table 2 summarizes the metrics used and their relationship with SDR.

**Table 2.** Financial Performance Metrics and SDR Relationship

Metric Category	Specific Measures	Studies (n)	Predominantly Positive
Accounting-based	ROA	62	54% (33)
Accounting-based	ROE	48	52% (25)
Accounting-based	ROS/Profit Margin	28	50% (14)
Market-based	Tobin's Q	45	67% (30)
Market-based	Stock Returns	32	59% (19)
Market-based	Market Value	24	63% (15)

A notable finding is that market-based measures, particularly Tobin's Q, exhibit stronger positive associations with SDR than accounting-based measures. This suggests that capital markets recognize and value sustainability disclosure, possibly reflecting investor expectations about future performance and risk mitigation.

### Sustainability Reporting Frameworks

Studies examined various reporting frameworks and their relationship with financial performance:

- GRI Standards:** The most frequently examined framework (n=42). Studies consistently find that GRI-aligned reporting is associated with better financial outcomes, attributed to the comprehensiveness and comparability of GRI disclosures.
- ESG Scores:** Studies using third-party ESG ratings (Bloomberg, Refinitiv, MSCI) as proxies for disclosure quality (n=38) generally find positive associations with financial performance, though the strength varies by rating provider.
- SDG Reporting:** Emerging research on SDG-aligned reporting (n=12) shows promising positive relationships with firm value, though the evidence base remains limited.
- Integrated Reporting:** Studies examining integrated reporting adoption (n=18) find positive effects on firm value, supporting the value-relevance of connectivity between financial and non-financial information.

### Moderating Factors

The review identifies several factors that moderate the SDR-CFP relationship:

**Table 3.** Key Moderating Factors

Moderator	Effect on SDR-CFP Relationship	Evidence Strength
Firm Size	Larger firms show a stronger positive relationship	Strong
Industry (ESI)	Environmentally sensitive industries show a stronger effect	Strong
External Assurance	Assured reports strengthen a positive relationship	Moderate-Strong
Geographic Region	Developed markets show more consistent positive effects	Moderate
Report Quality	Higher quality disclosure yields stronger financial benefits	Moderate
Board Independence	Stronger governance enhances the SDR-CFP link	Moderate
Ownership Structure	Institutional ownership strengthens the relationship	Moderate
Firm Age	Mature firms benefit more from SDR	Weak-Moderate

## Discussion

### Synthesis of Findings

This systematic review provides compelling evidence that sustainable development reporting is, on balance, positively associated with corporate financial performance. The predominance of positive findings (59%) supports stakeholder theory and signaling theory propositions that transparency regarding sustainability matters creates value for organizations.

The stronger positive associations observed for market-based measures (particularly Tobin's Q) compared to accounting-based measures suggest that investors incorporate sustainability disclosure into their valuation assessments. This aligns with the growing emphasis on ESG factors in investment decision-making and the expansion of sustainable finance.

The importance of reporting quality emerges as a critical theme. Studies consistently demonstrate that the mere existence of sustainability reports is insufficient; rather, the quality, comprehensiveness, and credibility of disclosure drive financial benefits. GRI alignment and external assurance emerge as important quality signals that strengthen the SDR-CFP relationship.

### Theoretical Implications

The findings provide empirical support for multiple theoretical perspectives. Stakeholder theory is supported by evidence that comprehensive sustainability reporting enhances relationships with diverse stakeholder groups, ultimately benefiting financial performance. Signaling theory receives support from findings that high-quality disclosure signals superior management quality and commitment to long-term value creation.

Legitimacy theory helps explain industry-specific findings, particularly the stronger SDR-CFP relationships observed in environmentally sensitive industries where sustainability concerns are most salient. The resource-based view is supported by evidence that sustainability reporting capabilities can constitute sources of competitive advantage.

### Practical Implications

- For Corporate Managers:** The evidence supports investment in comprehensive sustainability reporting infrastructure. Organizations should adopt recognized frameworks (particularly GRI) and consider external assurance to enhance credibility. Focus should be on disclosure quality rather than quantity, emphasizing material sustainability topics relevant to stakeholders.
- For Investors:** Sustainability disclosure provides value-relevant information for investment decisions. The positive SDR-CFP relationship suggests that sustainability reporting can serve as a proxy for management quality and long-term orientation. However, investors should consider reporting quality and assurance status when evaluating sustainability disclosures.
- For Regulators:** The findings support policy initiatives mandating sustainability disclosure. Regulatory frameworks should emphasize reporting quality, encourage adoption of standardized frameworks, and promote external assurance. The positive financial outcomes associated with sustainability reporting suggest that mandatory disclosure may benefit both companies and capital markets.

## Research Agenda

**Table 4.** Proposed Research Agenda

Research Area	Priority	Key Questions
Longitudinal Studies	High	How does the SDR-CFP relationship evolve over time? What is the lag effect?



Research Area	Priority	Key Questions
SDG-specific Reporting	High	How does reporting on specific SDGs relate to financial outcomes?
ISSB Standards Impact	High	How do new ISSB standards affect the SDR-CFP relationship?
Causality	Medium	Does SDR cause better performance, or do better performers report more?
SME Context	Medium	How does the SDR-CFP relationship apply to smaller enterprises?
Emerging Markets	Medium	What are the unique dynamics in developing country contexts?

## CONCLUSION

This systematic literature review synthesized 88 empirical studies examining the relationship between sustainable development reporting and corporate financial performance over the period 2019-2024. The evidence predominantly supports a positive relationship, with 59% of studies finding that sustainability disclosure enhances financial outcomes.

Key findings include the following. Market-based performance measures show stronger positive associations with SDR than accounting-based measures, suggesting that capital markets value sustainability disclosure. GRI-aligned reporting and external assurance strengthen the positive SDR-CFP relationship, highlighting the importance of reporting quality and credibility. The relationship is moderated by firm size, industry, geographic region, and governance characteristics. Environmentally sensitive industries and firms with stronger governance structures benefit more from sustainability reporting.

The findings carry important implications for practice and policy. Corporate managers should view sustainability reporting as a strategic investment that can enhance firm value, particularly when implemented with attention to quality and stakeholder relevance. Regulators can be confident that mandatory sustainability disclosure requirements are likely to yield positive economic outcomes alongside environmental and social benefits.

## Limitations

This review has several limitations. First, the focus on English-language publications may exclude relevant research from non-English sources. Second, heterogeneity in SDR and CFP measures across studies complicates direct comparisons. Third, publication bias may inflate the proportion of positive findings. Fourth, the review period (2019-2024) may not capture the full evolution of SDR practices and their financial implications.

## Concluding Remarks

As sustainability reporting continues to evolve with new standards (ISSB), regulations (CSRD), and stakeholder expectations, understanding its financial implications becomes increasingly important. This review demonstrates that the question is not whether sustainability reporting affects financial performance, but rather how organizations can maximize the value created through transparent, high-quality disclosure of their sustainability impacts and contributions to sustainable development.

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