From impact to income: How sustainability reporting affects the bottom line

A literature review on the links between sustainability reporting and financial performance

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Abstract

This literature review examines the relationship between sustainability reporting and corporate financial performance by systematically analyzing 30 empirical studies. Most reviewed studies find a positive correlation between sustainability reporting, particularly reporting aligned with the GRI Standards, and financial outcomes, while the results vary considerably across contexts, methodologies, and measurement approaches.

The review identifies three principal mechanisms through which sustainability reporting may enhance financial performance:

1. Improved access to capital;
2. Operational efficiency gains;
3. Enhanced risk management capabilities.

Organizations in high-risk industries – such as energy, mining, and manufacturing – realize stronger financial benefits from robust sustainability disclosures. Significant methodological limitations constrain the robustness of existing research, including inconsistent measurement of sustainability reporting quality, limited temporal coverage, incomplete firm-year observations, and the absence of standardized assessment frameworks.

These challenges complicate causal inference and contribute to the mixed empirical findings observed across studies. The review concludes that while sustainability reporting shows promise as a value-creation mechanism, particularly when aligned with recognized standards such as GRI, future research must address current data inconsistencies and methodological gaps to establish more definitive conclusions regarding the sustainability reporting-financial performance nexus.

Keywords: sustainability reporting, financial performance, GRI Standards, corporate social responsibility, ESG disclosure, literature review.

1. Introduction

In recent years, thousands of organizations, including most large publicly listed companies, have adopted sustainability reporting practices, often on a voluntary basis [1]. While GRI supports sustainability reporting primarily as a means of enhancing transparency and accountability to society, a growing body of academic literature is examining its tangible financial benefits.

The underlying rationale is that transparent and credible sustainability reporting signals good governance and forward-looking management, while also providing comparable information, which can be rewarded by investors and other stakeholders. Evidence from multiple studies also shows that organizations with consistent, high-quality sustainability disclosures are better positioned to attract capital, strengthen customer and employee loyalty, and maintain competitive advantages.

This publication explores the business case for sustainability reporting through the lens of financial performance. If sustainability disclosures can improve access to capital, reduce operational risks, and support efficiency gains, then reporting may, in fact, 'pay for itself'.

The literature on this subject presents mixed findings. While most of the studies identify a positive relationship between sustainability reporting and financial outcomes, some suggest that the effects may be insignificant or even negative. To better understand these dynamics, this paper reviews empirical research on the relationships between sustainability reporting and financial performance, focusing on studies that have assessed these links.

The objective of this review is to synthesize current knowledge, highlight patterns and divergences in the findings, and identify the factors that moderate the relationship between reporting and financial outcomes. In doing so, the paper aims to clarify the conditions under which sustainability reporting generates financial value and where it may fall short of expectations.

The literature review focused on academic sources published in English. A total of 30 articles were included in the analysis and summarized in a thematic table covering the following topics: methodology, findings, limitations, correlations found, and other notes. Four additional systematic literature review papers covering the same research question as this paper were also reviewed. These studies have also been registered and summarized; however, they were excluded from the final analysis because they did not empirically address the research question. All the studies reviewed were published in peer-reviewed academic journals.

The rest of this paper is organized to guide the reader from existing knowledge to new insights. Section 2 presents the results and discussion of the 30 empirical studies analyzed for this review, including key findings on various financial outcomes and potential causal pathways through increased access to capital, operational advantages, risk management, and industry-specific effects. Section 3 outlines methodological limitations and data challenges identified in the reviewed literature and discusses directions for future research. Section 4 concludes with a synthesis of key insights. Annex 1 includes summaries of all reviewed papers, and Annex 2 summarizes prior academic literature review studies.

2. Results and discussion

This section summarizes the key conclusions from the 30 studies reviewed. The list of these studies, along with summaries of their methodologies and key findings, is presented in Annex 1.

The majority of studies in this review identified a positive relationship between sustainability reporting and financial performance (see Table 1), but this relationship is articulated differently across the studies. This section will analyze the potential causes of this relationship and the circumstances that can explain the variance in results.

Table 1. Distribution of results

Outcome	Count	Proportion
Positive correlation	22	73.3%
Mixed	3	10%
Inconclusive/no relationship	3	10%
Negative correlation	2	6.6%

Business case for sustainability reporting

This literature review identifies two primary categories of financial metrics used to evaluate the link between sustainability reporting and corporate financial performance: accounting-based profitability measures (e.g., return on assets (ROA) and return on equity (ROE) and stock market-based measures. The latter can be further subdivided into valuation-based indicators, such as ‘Tobin’s Q’, which capture long-term investor expectations and the market’s assessment of intangible assets. Return-based indicators, including stock returns, abnormal returns, and earnings per share, reflect short-term market sentiment and trading outcomes. This review is not exhaustive, but these categories capture the primary channels through which sustainability reporting has been empirically linked to financial performance in the sampled studies.

Profitability measured by return on assets and return on equity

ROA and ROE are accounting-based metrics that measure a company’s internal efficiency and profitability. ROA indicates how effectively a company’s management is using its total assets to generate profits (net income/total assets); a higher ROA signals efficient asset utilization. ROE measures the return generated on the shareholders’ invested capital (net income/shareholders’ equity). A higher ROE is attractive to investors because it shows how effectively the company uses equity financing to grow profits. A positive correlation means that organizations with more extensive or higher-quality sustainability reporting tend to be more efficient in using their assets and equity to generate profits.

This relationship is substantiated by empirical evidence across diverse contexts. For instance, Elsayed [6] investigates the relationship between biodiversity disclosure and corporate financial performance. Analyzing 100 Fortune Global companies, the study finds a statistically significant positive relationship between biodiversity disclosure and ROA This suggests that organizations that provide higher-quality reporting on biodiversity and extinction risks are more profitable in relation to their total assets. Similarly, Masila et al. [7] found that sustainability reporting exerts a positive cumulative influence on financial performance, specifically measured by ROA.

Using a sample of banks in Jordan, Shaban and Barakat [8] found a strong positive relationship between sustainability disclosures and financial performance, particularly ROA. Taken together, these findings demonstrate that the positive correlation between sustainability reporting and profitability is robust across different contexts. The relationship is evident in samples from specific emerging markets, such as Kenya and Jordan, and in sector-specific studies, such as banking, or disclosure themes, like biodiversity.

Stock market performance indicators

Stock market indicators capture how investors value an organization in response to sustainability reporting and disclosure practices. They can be divided into valuation-based measures, such as Tobin's Q, and return-based measures, such as stock returns, earnings per share, and abnormal returns. Tobin's Q is a market-based metric that compares an organization's market value to the replacement cost of its assets. It is calculated as the market value of equity plus the book value of debt, divided by the book value of total assets. A 'Q ratio' greater than 1 suggests that the market values the organization above the sum of its tangible assets, implying the presence of valuable intangible assets like brand reputation, intellectual property, and strategic advantages [9]. Stock returns or stock value indicate a direct change in a company's share price over time, reflecting the market's overall valuation of the organization, while abnormal returns indicate the difference between a stock's actual return and its expected return based on market movements. This isolates the impact of a specific event, such as publishing a sustainability report, from general market trends.

Several studies find a generally positive association between sustainability reporting and Tobin's Q. Lee and Maxfield [10] found that while generic corporate social responsibility (CSR) reporting had no significant effect, GRI-based reporting led to a tangible, though modest, increase in Tobin's Q. Their analysis showed that the adoption of GRI reporting was associated with a 0.2% rise in a firm's market-to-asset value ratio. While this effect is small, it was statistically significant, suggesting a consistent market response. This finding may indicate that investors value the enhanced comparability and credibility of a standardized reporting framework, rather than interpreting it as mere 'greenwashing'. Hanafuri and Gunarsih [11] identified a positive relationship between sustainability reporting and Tobin's Q in Indonesia. However, they found that strong corporate governance mechanisms weakened this relationship. This result suggests that while investors may perceive sustainability reporting itself as a sufficient signal of good management, additional and complex governance structures might be viewed as redundant or distracting.

Furthermore, the systematic review by Tamasiga et al. [4] concluded that the positive correlation between ESG disclosures and organizational performance is consistently stronger for market-based measures, such as Tobin's Q, than for accounting-based measures, such as ROA, with varying effects across industries, regions, and markets.

By contrast, direct return-based indicators, such as stock returns and abnormal returns, reveal a more complex and context-dependent pattern. Some studies looking at national contexts have found positive effects. For instance, Karagiorgos [12] found that Greek companies with higher CSR performance, reported through GRI, were rewarded with higher stock returns. Similarly, Schadewitz and Niskala [13] concluded that GRI reporting was a key factor explaining organizational value in Finland. These findings suggest that, in such markets, sustainability reporting can serve as a key differentiator, enhancing organizational visibility and attracting investor interest.

Others found conflicting results. Nguyen [14] discovered that greater adherence to GRI guidelines in Germany was associated with lower stock prices. The author suggests that in a mature market with stringent regulations, investors may view extensive sustainability reporting primarily as a compliance cost that impairs short-term shareholder value, rather than a strategic investment. Reddy and Gordon [15] also found a negative relationship in Australia, indicating that market reactions can be skeptical or negative, particularly in specific regions or industries. The systematic review conducted by Tamasiga et al. [4] also reveals significant variation in stock market results. Meanwhile, European evidence often points to positive valuation effects under strong regulatory regimes; results from developing economies are frequently insignificant or even negative.

Both Lee et al. [16] and Tamasiga et al. [4] highlight the role of disclosure quality: high-quality, material ESG reports tend to enhance stock market value, whereas boilerplate or poor-quality disclosures can harm investor sentiment and depress organizational value, contradicting Nguyen's [14] findings.

Causal pathways toward improved financial performance

Three main causal mechanisms can explain the relationship between sustainability reporting and financial performance: reputational benefits and access to capital, operational performance gains, and resilience and risk management.

Reputational benefits and access to capital

Robust sustainability reporters who utilize GRI Standards have improved access to capital and are rated highly by investors, as GRI provides reputational advantages. Organizations that report using GRI enjoy higher degrees of stakeholder trust, brand loyalty, and employee satisfaction [10] [17]. Organizations that publish GRI-aligned sustainability reports are less likely to face capital constraints, as investors prioritize investing in 'future-proof' businesses [18].

Furthermore, Matsumara et al. [19] found that organizations disclosing climate change risks in their 10-K filings have a lower cost of equity than comparable organizations that do not. Investors appear to interpret nondisclosure in the 10-K as a sign of heightened risk, effectively imposing a risk premium on nondisclosure.

The authors argue that investors view disclosure as largely voluntary because SEC enforcement is perceived as weak. As a result, markets view nondisclosure in the 10-K as a managerial choice and interpret it as a withholding of adverse information, which increases perceived risk.

Operational performance gains

Organizations that report on their sustainability impacts are better prepared to address environmental and policy challenges while maintaining high profitability. Kasbun et al. [17] and Chen et al. [20] found that organizations using sustainability reports to track environmental and social performance tend to achieve greater operational efficiency. These organizations optimize energy use, reduce waste, and streamline supply chains, thereby lowering operational costs and increasing profitability. In the manufacturing and technology sectors, Chen et al. [20] found that sustainability reporting drives innovation in product and process development. A high level of environmental disclosure encourages organizations to adopt greener, more efficient technologies, thereby providing a competitive edge in resource-intensive industries. Burhan and Rahmanti [21] found that organizations engaged in GRI-based sustainability reporting are better equipped to navigate policy and regulatory developments. They highlight that trendsetters in sustainability reporting can better anticipate changes in the legal or regulatory landscape, which helps to reduce operational costs by avoiding penalties and fees.

Resilience and risk mitigation

Finally, sustainability reporting can help organizations identify and mitigate risks to their business. For instance, Dobrick et al. [22] found that organizations with higher ESG ratings experience less financial volatility than those with lower ratings. Elsayed [6] found that organizations with higher levels of sustainability disclosure yielded more consistent and stable returns while demonstrating resilience during economic downturns. When examining industry effects, both Kasbun et al. [17] and Nguyen [14] found that organizations in industries with a significant environmental impact – such as energy, mining, and manufacturing – benefit most from transparent reporting. The reporting process can help them identify and prepare for regulatory, operational, and reputational risks.

Potential industry effects and other context dependencies

While most studies have identified a positive correlation between sustainability reporting and financial performance, the literature remains divided. The strength and direction of the relationship are determined by multiple factors, including industry effects, institutional/country factors, organizational size, and the regulatory environment.

Tamasiga et al. [4], Dobrick et al. [22], Kasbun et al. [17], and Chen et al. [20] identified various industry-specific outcomes in which organizations achieved better financial results after publishing sustainability reports. A pattern emerges: organizations in industries with high environmental and social risks see stronger financial benefits from sustainability reporting. Dobrick et al. [22] argue that organizations in the energy and extractive industries face higher sustainability-related risks and that transparency via sustainability reporting reduces uncertainty.

In manufacturing and heavy industries, Kasbun et al. [17] and Chen et al. [20] found that sustainability disclosures lead to operational efficiencies, cost reductions, and enhanced product innovation.

Similarly, Akuoko-Sarpong et al. [23] found that organization size and governance context moderate a positive relationship, with larger organizations and well-regulated reporting jurisdictions consistently showing better financial results from sustainability reporting. Chen et al. [20] found that the significant positive impact of GRI reporting on organizational profitability was moderated by local political parties, with organizations with stronger local ties enjoying greater financial benefits from sustainability reporting.

Diminishing returns of sustainability reporting

One strand of findings points to an inverted U-shaped relationship between sustainability reporting and corporate financial performance. A large-scale, longitudinal study by Lee et al. [16] utilized GRI application levels as a proxy for reporting quality, categorized sustainability reports by completeness, credibility, and transparency, and assigned them levels indicating the extent of disclosure (see Table 2). Lee et al. [16] assumed that organizations with higher GRI application levels provided more complete, transparent, and credible disclosures, thereby serving as a quantitative proxy for the quality of sustainability reporting.

Table 2. GRI application levels as a proxy for sustainability reporting quality, as used in Lee et al. [16]

GRI application level	Description	Disclosure completeness	External assurance
A+	Highest level of disclosure, including all required indicators.	Comprehensive	Yes
A	Highest level of disclosure, including all required indicators.	Comprehensive	No
B+	Moderate level of disclosure, with a selection of key indicators.	Moderate	Yes
B	Moderate level of disclosure, with a selection of key indicators.	Moderate	No
C+	Basic level of disclosure, covering essential sustainability indicators.	Basic	Yes
C	Basic level of disclosure, covering essential sustainability indicators.	Basic	No
Undeclared/ GRI referenced	Organizations that reference GRI guidelines but do not follow a specific level.	Partial	Not monitored
Non-GRI	Organizations that publish sustainability reports without using GRI guidelines.	Undefined	Not monitored

Lee et al. [16] found that while higher-quality sustainability reporting initially enhances corporate financial performance, there is a point beyond which further investments in its quality yield diminishing returns. This inverted U-shaped relationship suggests that while sustainability reporting can improve stakeholder trust, legitimacy, and operational efficiency, excessive reporting may lead to increased costs and resource allocation that outweigh the benefits.

This finding aligns with the conclusions of several studies explored as part of this research. Nguyen [14] found a negative relationship between sustainability reporting adherence and organizational value (stock price), indicating that higher GRI adherence levels were associated with lower stock prices in a sample of 97 organizations selected from the German Stock Exchange that reported between 2013 and 2017. Boiral [24] argues that sustainability reports can sometimes serve as 'simulacra', where companies engage in impression management rather than substantive sustainability practices, leading to increased costs without corresponding benefits. Similarly, Cormier and Magnan [25] found that while environmental disclosure can enhance an organization's reputation and reduce information asymmetry, excessive reporting can lead to skepticism among stakeholders, particularly if the disclosures are perceived as superficial or disconnected from actual performance.

Lee et al. [16] and others explain the negative correlation they observe through stakeholder theory. Stakeholder theory asserts that organizations must balance the interests of various stakeholders to achieve long-term success, including investors, employees, and communities [26].

However, as organizations invest more in sustainability reporting to meet stakeholder expectations, the marginal benefits of additional reporting may decline. This is because stakeholders may reach a point of saturation, where further disclosures do not significantly enhance trust or legitimacy. Legitimacy theory further supports this by suggesting that organizations engage in sustainability reporting to maintain their social license to operate [27]. However, when organizations over-report or engage in 'greenwashing', they risk losing legitimacy, as stakeholders may perceive the reports as insincere or manipulative [28].

Stakeholder theory can also explain the different results obtained among studies on the relationship between sustainability reporting and sustainability performance. For instance, Callery [29] and Gutsche et al. [30] argue that organizations may strategically disclose information to manipulate ESG ratings, thereby maintaining legitimacy and fostering stakeholder engagement with desired constituencies. Nevertheless, it is important to note that not all evidence points toward diminishing returns. Several studies have identified a positive relationship between sustainability reporting and financial or reputational performance, suggesting that transparent and well-integrated reporting can strengthen stakeholder trust and long-term value creation. These findings also draw on stakeholder theory, emphasizing that when disclosures genuinely reflect organizational values and responsiveness to stakeholder concerns, they can enhance rather than erode legitimacy.

3. Methodological limitations and future research

To assess the significance and relevance of the studies under review, it is important to understand their methodological and data limitations. This section critically reviews the approaches these studies have taken to define and measure sustainability reporting and financial performance. It will later analyze the limitations in the data used and conclude with recommendations for further research.

Measures of sustainability reporting

Three measurement tactics of sustainability reporting dominated the sample of reviewed articles:

1. **Use of specific indices or guidelines:** GRI was the most widely used specific reporting guideline in the reviewed studies. Other reporting frameworks used included CDP, ISO, and Dow Jones Sustainability Index. A less common tactic was to rely on ESG rating providers, such as MSCI and Refinitiv, to compare highly rated organizations with those that have lower ratings. One potential shortfall of this choice is that it implies the use of GRI or any specific guided reporting instrument reflects the same level of commitment to sustainability reporting for all organizations.

2. **Self-constructed measures:** The second most widely used approach involves researchers manually or computationally analyzing corporate sustainability disclosures to construct their own sustainability metrics. This technique often involves measuring the volume of disclosure, such as the number of words, sentences, or indicators addressed in a company's sustainability report. Chen et al. [20] and Kasbun et al. [17] apply content analysis to quantify the extent of sustainability reporting and compare disclosure patterns across industries. Other studies, including those by Nguyen [14] and Lee and Maxfield [10], assign scores based on whether a company provides specific, quantitative sustainability targets or non-operational, qualitative statements. A limitation of this method is that it can conflate the quantity of disclosures with actual sustainability performance. This means that organizations with longer sustainability reports may be perceived as high performers, even if they do not necessarily provide more meaningful or transparent information.

3. **Single-dimensional measures:** The third most widely used approach involves studies that assess sustainability reporting based on a single element of sustainability. For instance, Elsayed [6] focused on biodiversity disclosures to identify industry variance that accounts for financial performance, while Chen et al. [20] specifically focused on labor and human rights disclosures.

Data challenges

Unrepresentative sample sets or insufficient data are two dominant issues in the studies sampled. In Isiaka [31], the original dataset used in the study initially contained 74 GRI reports but was subsequently reduced to 52 due to missing data. In total, there were 32 unique organizations and 52 organization-year observations, spanning a three-year reporting period from 2013 to 2016, with varying reporting frequencies. Three studies evaluated as part of this project, namely Lee et al. [16], Chen et al. [20] [32], used a single reporting year in their sampling, which significantly limits the causal/correlative claims they make in their papers. Additionally, the absence of a standardized framework for evaluating the influence of sustainability on organizational performance exacerbates inconsistencies across industries and regions [4] [5] [33].

Furthermore, in many cases, it is unclear whether the authors consistently tracked reporting across observed years. This is a major limitation when analyzing the impact of sustainability reporting on financial performance, particularly for studies that rely on panel data or longitudinal analysis (e.g., Lee et al. [16]). Only eight out of the 30 studies included in this study had a complete sample of organization-year observations, meaning that the others either worked with a sample from a single reporting year (Chen et al. [20] [32]) or the organizations in their sample had not consistently published sustainability reports.

Hanafuri and Gunarsih [11], for instance, use a total of 64-organization-year observations across an 8-year reporting period (2014-2021), indicating either inconsistent reporting or a very small number of existing reporting organizations in their sample.

Working with incomplete sample sets may be misleading for three reasons. First, an organization that reports in some years but not others might be engaging in opportunistic ESG signalling or strategic disclosure (e.g., Callery [29]) to attract investors during high-profit years. Second, organizations that drop sustainability reporting after poor financial performance (or only adopt it after good performance) create a selection bias, making it appear that sustainability reporting improves financial outcomes when, in fact, the reverse could be true. Third, studies that do not track whether organizations consistently engage in sustainability reporting weaken the potential causal relationship or the observed correlation between the independent variable (sustainability reporting) and the dependent variable (financial performance). It is unclear whether financially successful organizations naturally adopt sustainability reporting as part of broader governance improvements, which would imply reverse causality, as noted by Hanafuri and Gunarsih [11] and Luo and Tang. [34]. Alternatively, organizations that implement sustainability actions and invest in sustainability reporting may achieve financial benefits through other mechanisms, as shown in Ghosh et al. [18] and Isiaka [31]. Without tracking consistency, these papers risk conflating short-term sustainability disclosures with genuine long-term commitments, thereby undermining the credibility of their conclusions.

Direction of future research

A major limitation of existing empirical research is the lack of consistent organization-year observations across reporting periods. In the reviewed studies, only 8 of 30 had a complete dataset, in which all sampled organizations provided sustainability disclosures across the observed reporting period. This inconsistency in organizations' reporting behaviour weakens longitudinal analyses and may partly explain the mixed empirical results found in Aggarwal (2013), Tamasiga et al. (2024), Nnedu (2025), and this study. If organizations enter and exit the sample due to inconsistent reporting, the results may be skewed, leading to biased conclusions about the financial effects of sustainability reporting.

Future research should track organizations' reporting behaviour over multiple years to distinguish between those that engage in continuous sustainability disclosures versus those that report intermittently or opportunistically. Studies should also investigate whether organizations with long-term sustainability reporting commitments experience stronger financial benefits than those with irregular disclosures. Additionally, researchers should investigate factors that influence reporting consistency, such as regulatory requirements, investor pressure, and organization-specific sustainability strategies.

A frequently cited challenge in sustainability reporting research is the lack of standardized, comprehensive reporting that provides comparability and consistent data. Rahman and Chowdhury [3] discuss in their review that variations in data sources, disclosure frameworks, and scoring methodologies introduce measurement inconsistencies, preventing researchers from drawing stronger conclusions from their analysis. GRI's future outlook aligns with this point, as it also advocates standardized, transparent, and comprehensive reporting, which can enhance comparability across industries and jurisdictions.

Finally, a central theme across the reviewed studies is that the relationship between sustainability reporting and financial performance is context-dependent and is mediated by a wide range of intervening variables, including organizational size, country and legislative contexts, economic development, and industry effects. Future research can be enhanced by GRI's Sector Program, which is developing reporting standards tailored to meet sector-specific reporting needs and challenges.

4. Conclusion

This paper reviewed a wide range of studies examining the relationship between sustainability reporting (SR) and financial performance (FP). The majority of studies focusing on GRI reporters found a positive relationship between SR and FP, indicating that SR, particularly when aligned with GRI Standards, has a viable potential to enhance various financial outcomes.

Research on GRI-based reports identifies three key mechanisms through which SR creates financial value: improved access to capital, operational efficiencies, and effective risk management. These findings illustrate how organizations that pursue impact reporting can unlock tangible financial benefits, reinforcing the business case for sustainability. While contextual factors such as sector, organizational size, regulatory environment, and geography can influence these outcomes, the prevailing evidence indicates a positive correlation between SR and FP.

While a substantial majority identify a positive correlation, others report negative, insignificant, or context-dependent findings. Inconsistencies in the measurement of SR and GRI reporting, limited sample sizes, and contextual factors, such as industry and jurisdiction, prevent a clearer empirical picture from emerging. Many studies emphasize the need for more standardized SR to address data inconsistencies and enable robust empirical analysis.

The reviewed literature often lacked a reliable method for distinguishing organizations that report consistently from those that engage in opportunistic or strategic disclosures. This may explain why FP is relatively easy to quantify using established metrics, such as ROA, ROE, and Tobin's Q, while sustainability performance can sometimes be more elusive.

In the absence of standardized reporting on sustainability performance, many studies relied on self-constructed indices, content analysis, or single-year datasets, which limited comparability and introduced some bias. Future research can address these information gaps by leveraging GRI Standards to produce consistent, comparable, and multi-year datasets. This would need to be supported by organizations that maintain GRI reporting across several reporting periods. Together, these efforts can also provide clearer insights into how SR affects FP and help differentiate organizations committed to sustainability from those reporting opportunistically.

Future research needs on the relationship between SR and FP share the same goal as GRI's mission: to enable more comparable, consistent, and standardized sustainability reporting. This research can address current data inconsistencies and enable a clearer understanding of how SR affects FP. Consistent and comprehensive reporting is also critical for distinguishing organizations engaged in meaningful, ongoing sustainability efforts from those reporting opportunistically.

GRI's sectoral focus is increasingly relevant, particularly in light of the industry effects identified in the studies reviewed. Industry factors are frequently cited in the literature as a moderator of the SR-FP relationship. Organizations in high-risk sectors (e.g., energy, mining, manufacturing) often see the greatest financial benefits from robust SR. Therefore, industry-specific studies are also needed to capture the different pathways through which SR influences FP.

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Annex 1. Table of papers reviewed

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
1. Isiaka (2022)	Voluntary Sustainability Reporting and Financial Performance: Evidence from Global Reporting Initiative (GRI) Disclosures in Africa [31]	Authors find a positive relationship between sustainability disclosures and financial performance (ROA and ROE). The relationship was strongest for environmental and social disclosures, while economic disclosures had a weaker effect. Larger organizations were more likely to disclose sustainability information, but organizations with externally assured reports disclosed less. There was no significant improvement in sustainability reporting over time, and organizations in countries with weaker sustainability governance were more likely to report voluntarily.	52	32	2013-2016
2. Hanafuri and Gunarsih (2024)	The Effect of Sustainability Report on Organization Value with Corporate Governance as a Moderating Variable [11]	Authors find a positive relationship between sustainability reporting and organizational value, measured by Tobin's Q. Corporate governance also has a positive effect on organizational value. However, corporate governance weakens the relationship between sustainability reporting and organizational value, suggesting that excessive governance mechanisms may divert investors' attention away from sustainability efforts.	64	Unclear/ inconsistent	2014-2021
3. Akuoko-Sarpong et al. (2024)	Sustainability Reporting and Financial Performance: Examine the Correlation between Sustainability Disclosures Financial Performance in Publicly Traded Companies [23]	Authors find a moderate positive correlation between sustainability reporting and financial performance, with the strongest association found for economic performance disclosure. While environmental and economic disclosures had a stronger positive effect on ROA and ROE, social disclosures exhibited a weaker relationship with financial outcomes.	Not tracked	200	2010-2022

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
4. Lee et al. (2023)	The Relationship Between the Quality of Sustainability Reporting and Corporate Financial Performance: A Cross-Sectional and Longitudinal Study [16]	Authors find an inverted U-shaped relationship between sustainability reporting quality (QSR) and financial performance (ROA and ROS), meaning that moderate sustainability reporting improves financial performance, but excessive reporting lowers profitability. However, improving QSR over time does not necessarily lead to better financial outcomes, and organizations that maintain constant QSR levels for multiple years often experience declines in profitability.	6,519	Unclear	2009-2013
5. Ghosh and Paul. (2022)	The Impact of Sustainability Reporting on Financial Performance of Selected Listed Companies: Evidence from India [18]	Authors find a positive relationship between sustainability disclosure (SDI) and financial performance (ROA, ROCE, and ROE). The effect is strongest for ROCE, indicating that sustainability reporting improves organizations' capital efficiency. The study also finds that larger organizations experience diminishing financial returns from sustainability reporting.	200	25	2014-2022
6. Nzekwe et al. (2023)	Effect of Sustainability Reporting on Financial Performance of Quoted Industrial Goods Companies in Nigeria [35]	Authors find that environmental, social, and economic sustainability disclosures all have significant positive effects on financial performance, measured by cash value added (CVA).	132	11	2008-2019
7. Kowsana and Muraleetharan (2021)	Sustainability Reporting Based on GRI Standards and Corporate Financial Performance: A Study on Selected Listed Companies in Sri Lanka [36]	Authors find that higher sustainability disclosure (SDI) is positively associated with corporate financial performance, as measured by ROA and ROE. The effect is stronger in larger organizations	160	20	2013-2020
8. Thayaraj and Karunarathne (2021)	The Impact of Sustainability Reporting on Organizations' Financial Performance [37]	Authors find a moderate positive relationship between sustainability reporting (encompassing economic, environmental, and social disclosures) and financial performance, as measured by return on assets (ROA). Social disclosures have the strongest positive impact, while organization size has a negligible negative effect.	102	102	2019

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
9. Nguyen (2020)	An Empirical Study on The Impact of Sustainability Reporting on Organization Value [14]	Authors find a negative relationship between sustainability reporting adherence (GRI compliance) and organizational value (stock price). This effect is more pronounced in environmentally friendly industries, while no significant relationship is found in environmentally sensitive industries. The study suggests that high adherence to sustainability reporting standards may be perceived as a cost burden rather than a value driver for investors. However, external assurance of sustainability reports has a positive impact on organizational value, indicating that credible third-party verification may enhance investor confidence in sustainability disclosures.	485	97	2013-2017
10. Ching et al. (2017)	The Quality of Sustainability Reports and Corporate Financial Performance: Evidence from Brazilian Listed Companies [38]	Authors find no significant relationship between the quality of sustainability reporting and corporate financial performance. The authors note that while reporting quality has improved over time, this improvement has not had a statistically significant impact on financial performance. However, the sampled organizations did not consistently produce sustainability reports during the reporting period in the study.	218	51	2008-2014
11. Kasbun et al. (2016)	Sustainability Reporting and Financial Performance of Malaysian Public Listed Companies [17]	Authors find that sustainability reporting positively affects financial performance, particularly through economic disclosures. Environmental disclosures show no effect in early years but become significant by 2013, while social disclosures have no measurable financial impact.	1600	200	2006-2013

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
12. Lee and Maxfield (2015)	Doing Well by Reporting Good: Reporting Corporate Responsibility and Corporate Performance [10]	Authors find a positive relationship between GRI-based reporting and financial performance as measured by Tobin's Q. Significantly, when an organization publishes GRI reporting, the ratio of its market value to its asset value increases 0.2%. However, CSR reporting does not have any significant effect, meaning that GRI reporters have been uniquely rewarded by investors (Tobin's Q is a market-based measure). However, the strength of the link between the two variables is weak because the study only examined a single reporting period.	126	126	2008
13. Karagiorgos (2010)	Corporate Social Responsibility and Financial Performance: An Empirical Analysis on Greek Companies [12]	Authors find a positive and significant relationship between CSR performance and stock returns. The study suggests that the market rewards companies with higher CSR performance with higher stock returns, particularly in a context where CSR reporting is still emerging.	78	39	2007-2008
14. Reddy and Gordon (2010)	The Effect of Sustainability Reporting on Financial Performance: An Empirical Study Using Listed Companies [15]	Authors find a negative relationship between sustainability reporting and financial performance. For Australian companies, a negative relationship exists, particularly in environmentally sensitive industries, whereas for New Zealand companies, the relationship is not statistically significant. The study highlights the importance of contextual factors, such as industry type and report type, in shaping market reactions to sustainability disclosures.	Unclear	68	2002-2009
15. Schadewitz and Niskala (2010)	Communication via Responsibility Reporting and its Effect on Organization Value in Finland [13]	Schadewitz and Niskala find that sustainability reporting via GRI guidelines improves the stock returns of publicly listed companies on the Finnish Stock Exchange.	Unclear	88	2006-2010

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
16. Elsayed (2023)	Exploring the financial consequences of biodiversity disclosure: how does biodiversity disclosure affect organizations' financial performance? [6]	Author finds that biodiversity disclosure has a positive impact on financial performance (ROA), but its effect on market valuation (P/B Ratio) is not statistically significant. Organizations in high-risk industries (energy, extractives) disclose more biodiversity-related risks, while larger organizations and highly leveraged companies do not see as strong a financial benefit. Biodiversity reporting has grown over time, but remains inconsistent across organizations and regions.	300	100	2013 2016 2019
17. Dobrick et al. (2025)	ESG as risk factor [22]	Authors find that ESG-related risk factors significantly influence stock return variation. The study constructs an ESG-based factor (UMS: Unsustainable Minus Sustainable) and finds that organizations with lower ESG scores tend to have higher returns, while high-ESG organizations experience lower risk-adjusted returns. The effect is stronger in European markets than in North America, and governance-related ESG factors have the most predictive power.	N/A	4500	2007-2020
18. Zulkarnaini et al. (2025)	The Influence of Sustainability Reports on Financial Performance in Banking Companies Listed on the Indonesia Stock Exchange (IDX) for the 2016-2023 Period [39]	Authors find that economic sustainability disclosure has a positive impact on financial performance (ROA), while social and environmental disclosures show no significant effect. The results suggest that banks benefit more from disclosing financial sustainability indicators than from social or environmental disclosures, likely because banks have a lower direct environmental impact compared to industrial sectors. The study also finds that company size does not moderate the effect of sustainability reporting on financial performance	80	10	2016-2023
19. Yang et al. (2021)	Does GRI Sustainability Reporting Pay Off? An Empirical Investigation of Publicly Listed Organizations in China [40]	Authors find that GRI reporting has a significant positive impact on organizational profitability, particularly over a longer time horizon (3 years). However, the impact is moderated by local political ties, where organizations with stronger local ties enjoy higher rates of financial benefits.	Unclear	122	2008-2016

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
20. Chen et al. (2015)	Applying GRI Reports for the Investigation of Environmental Management Practices and Company Performance in Sweden, China, and India [32]	Authors find no significant relationship between overall environmental management practices and financial performance; however, they identify that organizations with stronger environmental information disclosure experience higher sales growth, while organizations with stricter environmental supplier standards exhibit lower sales growth.	37	37	2010
21. Chen et al. (2015)	The Relationship Between Disclosures of Corporate Social Performance and Financial Performance: Evidence from GRI Reports in the Manufacturing Industry [41]	Authors find that higher social disclosure levels, particularly in human rights and product responsibility, are associated with higher return on equity (ROE). The study looked at a single reporting period, so the explanatory power is limited.	75	75	2012
22. Adebayo et al. (2024)	Sustainability Reporting and Financial Performance of Listed Agriculture and Natural Resources Organizations in Nigeria [42]	Authors find no significant relationship between sustainability reporting practices and financial performance; however, the study notes a positive, yet statistically insignificant, effect of both economic and social sustainability reporting on return on assets (ROA).	90	9	2014-2023
23. Weber et al. (2018)	The relation between the GRI indicators and the financial performance of organizations [43]	Authors find a positive relationship between sustainability reporting practices and financial performance, but note that the relationship varies depending on the financial metric used: organizations with stronger sustainability performance (measured by GRI indicators) tend to achieve higher EBITDA margins, ROE, and ROA, while no significant relationship is found with total shareholder return (TR). Moreover, sustainability reporting in environmental, social, and economic areas is linked to better sustainability outcomes, but corporate governance reporting shows no such correlation, suggesting limitations in how governance indicators capture actual outcomes.	400	100	2001-2004

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
24. Hussain et al. (2024)	The Impact of Environmental, Social, and Governance Disclosure on the Performance of Saudi Arabian Companies: Evidence from the Top 100 Non-Financial Companies Listed on Tadawul [44]	Authors find a significant positive relationship between sustainability reporting practices and financial performance; however, the study notes that this relationship is stronger for non-manufacturing organizations compared to manufacturing organizations, where the relationship is negative for operational and financial metrics (ROA and ROE).	600	100	2017-2022
25. Aggarwal (2013)	Impact of Sustainability Performance of Company on its Financial Performance: A Study of Listed Indian Companies [45]	The author finds no significant relationship between overall sustainability performance and financial performance; however, a disaggregated analysis reveals that different sustainability components have significant and varying impacts. Specifically, governance has a positive relationship, while employee and environmental performance have a negative relationship with financial performance.	40	20	2010-2012
26. Burhan and Rahmanti (2012)	The Impact of Sustainability Reporting on Company Performance [21]	Authors find that overall sustainability reporting (based on GRI) has a positive impact on financial performance (ROA). However, when sustainability dimensions are analyzed separately, only social disclosures significantly improve financial performance, while economic and environmental disclosures show no effect.	128	32	2006-2009
27. Ning et al. (2021)	Online Sustainability Reporting and Organization Performance: Lessons Learned from Text Mining [46]	Authors find a positive relationship between sustainability reporting practices and financial performance, but identify that environmental and employee-oriented strategic intents significantly improve organizational performance, while customer-oriented intent does not show a significant effect.	2016	680	2013-2015

Authors (publication date)	Title	Summary statement	Sample (in organizational years)	# of organizations sampled	Reporting period
28. Yoon et al. (2018)	Does ESG Performance Enhance Organization Value? Evidence from Korea [47]	Authors find a positive relationship between sustainability reporting practices (measured by ESG scores) and financial performance (organizational value), but note that this effect is not uniform: it is weaker for environmentally sensitive industries and stronger for large family-owned conglomerates (chaebols), particularly regarding governance practices.	3876	705	2010-2015
29. Rahmadani (2024)	Influence of Organization Size and Profitability on Sustainability Report Disclosure in Technology Sector Organizations 2022-2024 [48]	The author finds a positive relationship between profitability and sustainability report disclosure, in that more profitable organizations tend to disclose slightly more sustainability information, likely signaling financial strength and social responsibility. However, the size of an organization does not significantly influence its level of disclosure.	15	5	2022-2024
30. Remo-Diez et al. (2023)	Exploring the asymmetric impact of sustainability reporting on financial performance in the utilities sector: A longitudinal comparative analysis [49]	Authors find a mixed and asymmetric relationship between sustainability reporting practices (ESG pillars) and financial performance, but identify that the relationship depends on the performance metric (accounting-based vs. market-based) and the combination of ESG pillars. Specifically, from an accounting perspective (in the short term), high social (S) performance combined with low environmental (E) performance yields high financial outcomes, regardless of governance (G).	740	185	2018-2021

Annex 2. Prior academic literature reviews

Four review articles were consulted to inform the direction and substance of this paper. Specifically, Aggarwal [2], Rahman and Chowdhury [3], Tamasiga et al. [4], and Nnedu [5] produced systematic literature reviews to enhance scholarly understanding of the relationship between sustainability reporting and financial performance. In total, these reviews cover 104 papers, with only seven papers appearing in more than one review. Although each review addresses different aspects of the link between sustainability reporting and financial performance, collectively they provide a more comprehensive overview of the literature than any single review.

Aggarwal [2] found mixed, inconsistent, and often contradictory results [2]. Of the 30 studies reviewed, 12 identified a positive relationship, 2 identified a negative relationship, and 16 found inconclusive, insignificant, or mixed results. Aggarwal [2] concluded that the results of the studies varied widely depending on the measures of sustainability reporting and financial performance used, the composition of sample sets, time periods, and the control and robustness of the tests applied.

Rahman and Chowdhury [3] also found that the relationship between sustainability reporting and an organization's financial performance is mixed across empirical literature. Some studies report a positive relationship, while others find negative or neutral effects. For Rahman and Chowdhury [3], this is due to three reasons: measurement inconsistencies, researcher subjectivity, and the lack of standardization in sustainability reporting. Since most sustainability reporting measures are self-constructed and built through content analysis, individual researchers must decide what to include, which can lead to inaccuracies. The lack of standardization and the voluntary nature of reporting create significant gaps in available information, leading researchers to different conclusions based on the information they can extract from sustainability reports.

Tamasiga et al. [4] found that the impact of environmental, social, and governance (ESG) disclosures varies significantly across industries and regions, highlighting the need for sector-specific samples to ensure consistent findings. The food and retail sectors exhibit positive correlations between robust sustainability disclosures and improved financial performance. In the utility sector, this correlation is observed primarily in reporting on social metrics, rather than environmental disclosures. Elsewhere, the agriculture sector stands out for governance disclosures that specifically enhance market performance. However, the authors also found that organizations from developing economies often exhibit negative or insignificant relationships between sustainability reporting and financial performance.

Finally, Nnedu [5] reviewed academic articles published between 2018 and 2024 to explore the impact of sustainability reporting on financial performance. The paper categorizes prior research into three dimensions (economic, social, and environmental reporting) and evaluates their respective financial implications. Nnedu [5] identified several patterns based on the sustainability theme explored, specifically:

- Studies examining economic sustainability disclosures, such as governance transparency, business continuity, and economic value-added, generally found a positive relationship with financial performance.
- Studies that explored social sustainability reporting disclosures, such as employee well-being, diversity, and community engagement, found inconsistent financial impacts.
- The most significant industry impact is observed in environmental disclosures. Studies exploring environmental sustainability reporting disclosures found that organizations in high-emission industries (e.g., energy, mining, and heavy manufacturing) often see a positive financial impact from strong environmental disclosures, particularly when aligned with regulatory requirements and investor expectations. However, in industries with low direct environmental impact (e.g., financial services, technology, and consulting), extensive environmental disclosures have no significant financial effects, and in some cases, even negative ones.

From impact to income:
How sustainability reporting affects the bottom line

This paper was published in December 2025 by the Global Reporting Initiative (GRI).

GRI is the independent nonprofit organization that is the architect of the common global language to assess and report on environmental, social and economic impacts. GRI provides standards, tools and training that empower organizations of all sizes to create sustainable, long-term value and unlock positive change in the world.

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