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Research paper

Responsible Investment and Sustainability: Systematic Literature Review

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Abstract

This systematic literature review explores how environmental information influences investment decisions and financial performance within responsible investment (RI). Analyzing 39 key articles reveals RI's potential to drive environmental change and contribute to long-term sustainability goals.
Companies are disclosing more ESG (environmental, social, and governance) information due to investor pressure and the value of transparency. Investor behavior is influenced by ESG data, but concerns about greenwashing and social movements can also impact choices. Strong corporate governance is crucial for fostering robust ESG practices.
The review highlights the need for standardized ESG metrics, long-term impact studies of RI, and greenwashing mitigation strategies. It also emphasizes exploring social and governance aspects of ESG and promoting RI in developing economies. By addressing these areas, stakeholders can collaborate to maximize RI's positive impact and build a more sustainable future.

***Keywords**: Decision-Making, Environmental Information, Financial Performance, Responsible Investment, Sustainable Development.*

1. Introduction

The concept of sustainability has become a cornerstone of modern life, encompassing environmental, social, and economic spheres. However, achieving true sustainability remains a significant challenge. This thesis explores the potential of responsible investment as a tool to drive progress towards sustainable growth. Specifically, it will investigate the relationship between environmental information, investment decision-making, and financial performance within the context of responsible investing.

1.1 Defining Sustainability: A Complex Endeavor

The term "sustainability" is widely used, but its definition can be elusive. (Farley and Smith, 2020) highlight the dangers of an overly broad definition, arguing that it can lead to ambiguity and hinder effective action. Their work explores the various models of sustainability and emphasizes the need for clarity and precision in defining this crucial concept.
The concept of sustainable development emerged in the 1970s as a response to growing concerns about the environmental consequences of economic growth (Mebratu, 1998; Mitlin, 1992) .The Brundtland Report, published in 1987, offered a widely cited definition of sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Butlin, 1989). However, this definition has also been critiqued for its inherent contradictions, particularly the tension between infinite economic growth and a finite planet (Redclift, 2005).
The UCLA Sustainability Committee offers a more nuanced definition, emphasizing the interconnectedness of environmental health, social equity, and economic vitality (UCLA Sustainability Committee Charter). This definition highlights the need for a long-term perspective and a commitment to responsible resource use.

1.2 The Centrality of Sustainable Development

Despite ongoing debate about its precise definition, sustainable development has become a dominant paradigm in environmental research, business practices, and international policy (Alvarado-Herrera et al., 2017; Gore, 2015). The concept has been incorporated into various fields, including agriculture, industry, and urban development (Ahern, 2013; Amran et al., 2015; Lambert and Boons, 2002). Furthermore, it serves as the foundation for approaches like the green economy and the circular economy (Bina, 2013; Schroeder et al., 2019).

The rise of the 2030 Agenda for Sustainable Development by the United Nations further underscores the global commitment to achieving sustainability (United Nations, 2017).
This agenda outlines a set of ambitious goals for eradicating poverty, protecting the planet, and ensuring prosperity for all. The recent challenges posed by COVID-19 highlight the interconnectedness of these goals and the need for building more resilient societies (United Nations, 2020).

1.3 The Evolving Landscape of Corporate Sustainability

The past few decades have witnessed a growing focus on corporate sustainability. Companies are increasingly recognizing the importance of integrating environmental, social, and governance (ESG) considerations into their strategies (de Souza Barbosa et al., 2023). This shift is driven by a confluence of factors, including stakeholder pressure, regulatory changes, and the growing recognition of the long-term benefits of sustainable practices (Abhayawansa et al., 2021; Perez-Batres et al., 2012).
The concept of corporate sustainability has also been subject to ongoing debate. Some definitions emphasize meeting the needs of stakeholders without compromising the ability of future stakeholders to meet theirs (Dyllick and Hockerts, 2002). Others argue that sustainability goes beyond merely meeting needs and involves creating shared value for society (van Marrewijk, 2003).

1.4 Responsible Investment: A Catalyst for Change?

Responsible investment (RI) represents an investment approach that integrates ESG factors into the investment decision-making process. This thesis explores the potential of RI to drive positive environmental change. The core research question is whether, and how, access to environmental information influences investment decisions and ultimately contributes to improved financial performance within the context of responsible investing.

2. Methodology

This section outlines the methodological approach employed in our study to comprehensively analyze the influence of environmental information on investor decision-making and its connection to responsible investment practices, sustainable corporate performance, and overall sustainability. We adopted a systematic literature review methodology to ensure transparency, replicability, and a rigorous search process.

2.1 Search Strategy and Data Collection

Following established guidelines for conducting systematic reviews in management literature (Denyer and Neely, 2004; Thorpe et al., 2005)We implemented a well-documented search strategy. Our search terms encompassed various combinations of keywords related to the core concepts: responsible investment, sustainable development, Environmental, Social, and Governance (ESG) factors, environmental information disclosure, sustainable investment decision-making, financial performance analysis, impact investing, and green finance.
For comprehensive coverage, we searched major academic databases, Principally Scopus and Google Scholar. The search encompassed publications from 2013 to January 2024.
To ensure research validity, we focused on peer-reviewed journal articles, excluding books, book chapters, reviews, discussion papers, and other non-refereed publications. This aligns with the established practice of prioritizing peer-reviewed sources for their rigorous review process (Ordanini et al., 2008; Podsakoff et al., 2005).
To translate these keywords into a searchable query, we formulated the following string:
(("responsible investment" OR "sustainable investment" OR SRI OR "ESG investing») AND («environmental information" OR "environmental disclosure" OR "green data»)) AND («investor decision-making" OR "investment choices») AND («financial performance" OR "sustainable development)
This search query was then applied across the databases to identify relevant studies.

2.2 Study Selection and Data Extraction

The initial search yielded 103 articles published between 2013 and January 2024. Two researchers independently screened the titles and abstracts of all retrieved articles using pre-defined inclusion and exclusion criteria.
Inclusion Criteria:
- Focused on the influence of environmental information on investor decision-making.
- Explored various forms of responsible investment (RI).
- Analyzed the impact of RI on financial performance and/or sustainable development.
- Published in the English language.
- Peer-reviewed journal article.

Exclusion Criteria:
- Non-empirical studies (e.g., essays, commentaries, opinions).
- Book chapters, books, or edited collections.
- Articles not published in English.
- Studies lacking a clear focus on environmental information or responsible investment.

Discrepancies were resolved through discussion, and a third researcher was consulted if necessary.
After applying these criteria, 64 articles were excluded for various reasons such as lack of relevance, duplication, absence of an impact factor, or publication in a language other than English. This resulted in a pool of 39 articles meeting the inclusion criteria and retained for further analysis (

Table **1**). A consensus was reached after discussion of the differences in classification between the researchers.
Despite efforts to ensure rigor, several limitations should be acknowledged:
- **First**, restricting the review to English-language articles may exclude valuable insights from other regions.

- **Second**, reliance on Scopus and Google Scholar, while comprehensive, might omit relevant work from less-indexed journals.
- **Third**, focusing exclusively on peer-reviewed journal articles excluded practitioner reports, policy documents, and books that could provide complementary perspectives.

These limitations mean that the findings should be interpreted as representative but not exhaustive.

Table 1: Content of the selected articles.

Authors	Title	Publisher	Year	Research Purpose(s)	Theoretical Framework	Paper Type/Method
Wang Y., Xu M.	Can ESG activities stabilise IPO prices? Evidence from the Hong Kong stock market	European Financial Management	2023	Explore the relationship between economic, social, and governance (ESG) activities and initial public offering (IPO) price stabilisation actions	—	Empirical / Event study methodology
Zhou Z., Zhang L., Lin L., Zeng H., Chen X.	Carbon risk management and corporate competitive advantages: "Differential promotion" or "cost hindrance"?	Business Strategy and the Environment	2020	Examine the influence of carbon risk management on corporate competitive advantages	Resource-based view	Empirical / Regression analysis
Bassen A., Gödker K., Lüdeke-Freund F., Oll J.	Climate Information in Retail Investors' Decision-Making: Evidence From a Choice Experiment	Organization and Environment	2019	Investigate the influence of climate information presentation on climate-friendly investing among retail investors	—	Experimental / Choice experiment
Sariannidis N., Zafeiriou E., Giannarakis G., Arabatzis G.	CO2 Emissions and Financial Performance of Socially Responsible Firms: An Empirical Survey	Business Strategy and the Environment	2013	Analyze the relationship between a firm's CO2 emissions and its financial performance, with a focus on socially responsible firms	—	Empirical / GARCH model analysis
Ntim & Soobaroyen	Corporate governance and performance in socially responsible corporations: New empirical insights from a neo-institutional framework	Corporate Governance: An International Review	2013	Investigate the relationship between corporate governance, CSR, and corporate financial performance	Neo-institutional framework	Large listed corporations dataset
Galant & Cadez	Corporate social responsibility and financial performance relationship: A review of measurement approaches	Economic Research-Ekonomska Istrazivanja	2017	Review measurement approaches for CSR and financial performance	—	Review of prior research
Gödker, Katrin and Mertins, Lasse	CSR disclosure and investor behavior: A proposed framework and research agenda	Behavioral Research in Accounting	2018	Investigate how behavioral research explains the effect of CSR disclosure on investor behavior	Behavioral accounting	Literature Review
Aouadi et al.	Do ESG Controversies Matter for Firm Value? Evidence from International Data	Journal of Business Ethics	2018	Examine the relationship between ESG controversies and firm value	—	International dataset
Liu P.J., Song C., Xin J.	Does green governance affect financing constraints? Evidence from China's heavily polluting enterprises	China Journal of Accounting Research	2022	Investigate the effect of green governance on corporate financing constraints	—	Empirical / Regression analysis
Wendai, Lv, and Jing, Feng, and Bin, Li	Does more voluntary environmental information disclosure cut down the cost of equity: heavy pollution industries in China	Environmental Science and Pollution Research	2022	Examine the impact of voluntary environmental disclosure on the cost of equity in China's heavy pollution industries	—	Archival research with a regression model
Wang M., Chen Y.	Does voluntary corporate social performance attract institutional investment? Evidence from China	Corporate Governance: An International Review	2017	Analyze the relationship between voluntary corporate social performance (CSP) and institutional investment in China	—	Empirical / Regression analysis
Qiu et al.	Environmental and social disclosures: Link with corporate financial performance	British Accounting Review	2016	Examine the link between environmental and social disclosures and corporate financial performance	Resource-based view & voluntary disclosure theory	Large cross-sectional dataset
Khamisu M.S., Paluri R.A., Sonwaney V.	Environmental, social, and governance (ESG) disclosure motives for environmentally sensitive industry: an emerging economy perspective	Cogent Business and Management	2024	Explore the motivating factors behind ESG disclosures in emerging economies	—	Literature review / Fuzzy set theory with interpretive structural modelling (FISM)
Tsang, Albert et al.	Environmental, social, and governance (ESG) disclosure: A literature review	British Accounting Review	2023	Provide a comprehensive review of ESG disclosure literature	—	Literature Review
Fatemi et al.	ESG performance and firm value: The moderating role of disclosure	Global Finance Journal	2018	Investigate the effect of ESG activities and disclosure on firm value	—	Large dataset
Frias-Aceituno et al.	Explanatory Factors of Integrated Sustainability and Financial Reporting	Business Strategy and the Environment	2014	Investigate the factors influencing the development of integrated sustainability and financial reporting	Agency theory, signaling theory	Panel data analysis

Singh et al.	Green innovation and environmental performance: The role of green transformational leadership and green human resource management	Technological Forecasting and Social Change	2020	Examine the role of green HRM practices on the relationship between green transformational leadership and environmental performance	Resource-based view & ability-motivation-opportunity theory	Survey questionnaire & structural equation modeling
Gatti L., Pizzetti M., Seele P.	Green lies and their effect on intention to invest	Journal of Business Research	2021	Analyze the impact of greenwashing on investment intentions	Not mentioned	Experiment
Thanki H., Shah S., Rathod H.S., Oza A.D., Burduhos-Nergis D.D.	I Am Ready to Invest in Socially Responsible Investments (SRI) Options Only If the Returns Are Not Compromised: Individual Investors' Intentions toward SRI	Sustainability	2022	Investigate the factors influencing individual investors' intention to invest in SRI	Theory of Planned Behavior (TPB)	Empirical / Structural Equation Modeling (SEM)
Sachdeva M., Lehal R., Gupta S., Gupta S.	Influence of contextual factors on investment decision-making: a fuzzy-AHP approach	Journal of Asia Business Studies	2023	Examine how contextual factors influence investment decisions	Not mentioned	Fuzzy-AHP and questionnaire survey
Lokuwaduge & Heenetigala	Integrating Environmental, Social, and Governance (ESG) Disclosure for Sustainable Development: An Australian Study	Business Strategy and the Environment	2017	Explore the extent of ESG reporting in the Australian mining sector	—	Case study analysis
Arthur C.L., Wu J., Yago M., Zhang J.	Investigating performance indicators disclosure in sustainability reports of large mining companies in Ghana	Corporate Governance (Bingley)	2017	Examine the extent, content, and development trends of GRI performance indicators disclosed in sustainability reports	—	Content analysis
Hahn R., Reimsbach D., Kotzian P., Feder M., Weißenberger B.E.	Legitimation Strategies as Valuable Signals in Nonfinancial Reporting? Effects on Investor Decision-Making	Business and Society	2021	Examine the impact of legitimation strategies in sustainability reports on investor decision-making	Signaling theory, Screening theory	Experimental / Investor surveys
Jain & Jamali	Looking Inside the Black Box: The Effect of Corporate Governance on Corporate Social Responsibility	Corporate Governance: An International Review	2016	Conduct a systematic review on the effect of corporate governance on CSR	Multi-level review	Review of prior research
Christensen et al.	Mandatory CSR and sustainability reporting: economic analysis and literature review	Review of Accounting Studies	2021	Analyze the potential economic effects of mandated CSR reporting	—	Literature review
Boiral O., Talbot D., Brotherton M.-C.	Measuring sustainability risks: A rational myth?	Business Strategy and the Environment	2020	Investigate the rigor of the sustainability rating agencies' evaluation	Grounded theory	Qualitative analysis with semi-structured interviews
Pavláková Dočekalová M., Kocmanová A., Meluzín T., Škapa S.	Modelling of the relationship between sustainability and shareholder wealth	Technological and Economic Development of the Economy	2022	Examine the relationship between corporate sustainability and economic value added	—	Case study with a structural model
Alshbili I., Elamer A.A., Moustafa M.W.	Social and environmental reporting, sustainable development, and institutional voids: Evidence from a developing country	Corporate Social Responsibility and Environmental Management	2021	Investigate the perceived barriers hindering social and environmental reporting (SER) towards sustainable development in developing markets	Institutional voids theory	Qualitative / Semi-structured interviews
Wojtaszek H., Miciuła I., Gac M., Kabus D., Balcerzyk R., Będźmirowski J., Kowalczyk A.	Social and Environmental Responsibility Manager on the Example of Companies from Poland and Germany	Sustainability	2023	Analyze CSR strategies and challenges in Poland and Germany	—	Literature review, CSR reports analysis, and questionnaire survey
Eng N., Troy C.L.C., Bortree D.S.	Symbolic and substantive legitimation: examining corporate commitments to Sustainable Development Goal 12	Journal of Communication Management	2024	Assess online corporate communication around commitments to Sustainable Development Goal (SDG) 12	Legitimacy theory	Qualitative / Content analysis
Hendijani Zadeh M.	The effect of corporate social responsibility transparency on corporate payout policies	International Journal of Managerial Finance	2021	Investigate the relationship between a firm's environmental and social (E&S) transparency and corporate payout policies	—	Empirical / Tobit regression analysis
Brooks, Chris and Oikonomou, Ioannis	The effects of environmental, social, and governance disclosures and performance on firm value: A review of the literature in accounting and finance	British Accounting Review	2018	Review literature on the impact of ESG disclosure and performance on firm value	—	Literature Review

Li et al.	The impact of environmental, social, and governance disclosure on firm value: The role of CEO power	British Accounting Review	2018	Investigate the impact of ESG disclosure on firm value	—	Large cross-sectional dataset
Alshehhi, Ali and Nobanee, Haitham and Khare, Nilesh	The impact of sustainability practices on corporate financial performance: Literature trends and future research potential	Sustainability	2018	Analyze the literature on the impact of sustainability practices on corporate financial performance	—	Content analysis
Drempetic et al.	The Influence of Firm Size on the ESG Score: Corporate Sustainability Ratings Under Review	Journal of Business Ethics	2020	Analyze the influence of firm size on ESG scores	—	Analysis of ESG ratings
Amer E.	The Penalization of Non-Communicating UN Global Compact Companies by Investors and Its Implications for This Initiative's Effectiveness	Business and Society	2018	Investigate the impact of failing to report to the UNGC on a company's financial performance	—	Event study methodology
Hossain M.M., Wang L., Yu J.	The reputational costs of corporate environmental underperformance: evidence from China	Business Strategy and the Environment	2024	Evaluate the relative importance of regulative and reputational pressures on corporate environmental performance	—	Empirical / Event study methodology
Khaireddine H., Lacombe I., Jarboui A.	The trilogy in sustainability of environmental performance, assurance quality, and firm value	Sustainability Accounting, Management and Policy Journal	2024	Investigate the moderating effect of corporate environmental sustainability performance (CESP) on the relationship between sustainability assurance (SA) quality and firm value	—	Empirical / Regression analysis
Malik	Value-Enhancing Capabilities of CSR: A Brief Review of Contemporary Literature	Journal of Business Ethics	2015	Review contemporary literature on the value-enhancing capabilities of CSR	—	Review of prior research

3. Results

Building upon the review protocol established in the methodology section,

Table **1** presents a comprehensive overview of the selected articles' content. This table is categorized by author names, titles, publisher, publication year, research objectives, theoretical framework, and paper type/research methods.

Further analysis, leveraging descriptive statistics, explores publication trends across various categories, including publication year, journal distribution, and thematic clusters identified through the SLR. As depicted in Fig. 1A significant increase in publications is evident, with 54% of the 39 studies published between 2020 and 2024.

The period from 2013 to 2016 witnessed limited scholarly output on this topic, with only eight published articles. This was followed by a period of fluctuation in publication rates from 2017 to 2018, with a peak of seven articles in 2018. However, publication rates stabilized around four articles per year thereafter. An outlier in this observed growth, then stabilization curve is the year 2019, which is interesting to note and could be a coincidence.

These findings underscore a growing research focus on Responsible Investment and Sustainable Development within Scopus-indexed journals over the past five years. Fig. 1 visually confirms this trend, illustrating the distribution of the 39 sustainability articles across this timeframe.

The theme's popularity is evident across various disciplines, as shown by its appearance in a wide range of journals. However, concentration is limited, with only 6 journals publishing multiple articles on Responsible Investment and Sustainable Development. These include Business Strategy and the Environment, British Accounting Review, Corporate Governance: An International Review, Journal of Business Ethics, Sustainability, and Business and Society (Table 2).

The remaining 18 journals each published one article, highlighting the dispersed nature of the research. Notably, all journals possess a 2022 Scopus Cite Score.

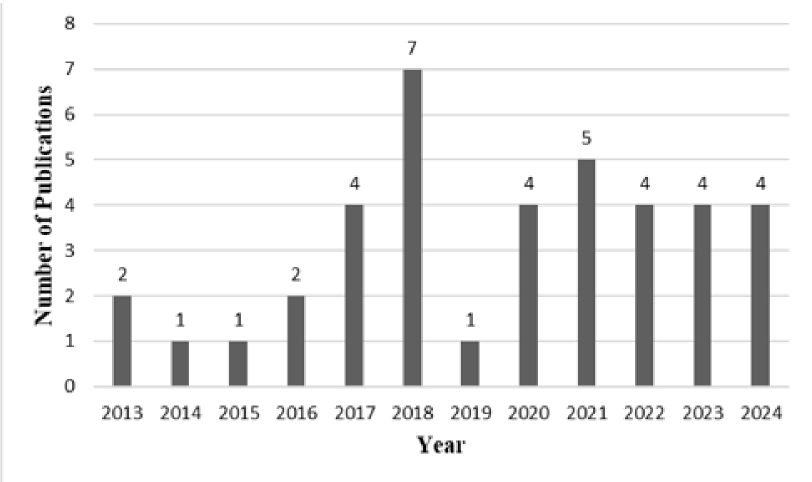

Fig. 1: Number of publications on Responsible Investment and Sustainability (2013–2024). Data derived from the 39 reviewed articles.

Table 2: Journal-wise distribution

Journals	CS 2021	CS 2022	#
Business Strategy and the Environment	11.9	17.8	6
British Accounting Review	7.3	7.2	4
Corporate Governance: An International Review	4.7	4.8	3
Journal of Business Ethics	10.8	12.0	3
Sustainability	5	5.8	3
Business and Society	11.6	13.8	2
Corporate Governance (Bingley)	5.8	9	1
China Journal of Accounting Research	3.3	4	1
Technological and Economic Development of the Economy	8	9.1	1
Sustainability Accounting, Management and Policy Journal	4.8	7	1
Organization and Environment	8.6	10.4	1
Journal of Communication Management	4	4.5	1
European Financial Management	3	3.7	1
Cogent Business and Management	2.9	3.5	1
International Journal of Managerial Finance	3.3	4	1
Corporate Social Responsibility and Environmental Management	11.5	15.6	1
Journal of Asia Business Studies	4.2	5.8	1
Journal of Business Research	11.2	16	1
Behavioral Research in Accounting	3.3	4	1
Environmental Science and Pollution Research	6.6	7.9	1
Review of Accounting Studies	5.8	6.4	1
Technological Forecasting and Social Change	13.7	17.2	1
Global Finance Journal	4.6	5.0	1
Economic Research-Ekonomska Istrazivanja	4.9	6.2	1

Leveraging the data presented, particularly from

Table **1**Our analysis revealed six distinct thematic clusters within the research. These clusters were constructed by examining the primary focus (purpose) of each research article, along with the keywords most closely associated with that focus. This approach resulted in the following thematic groupings: 1) Relationship between ESG and Firm Value, 2) ESG Disclosure Practices, 3) Investor Behavior and ESG, 4) Corporate Governance and ESG, 5) Sustainability Reporting and Ratings, and 6) Other ESG-related Topics.

Table 3: Clusters based on SLR

Cluster	Topic	#	Authors
Relationship between ESG and Firm Value	How ESG activities and disclosure impact financial performance	11	Wang Y., Xu M. Sariannidis N., Zafeiriou E., Giannarakis G., Arabatzis G. Ntim & Soobaroyen Liu P.J., Song C., Xin J. Wang M., Chen Y. Qiu et al. Fatemi et al. Frias-Aceituno et al. Li et al. Alshehhi, Ali and Nobanee, Haitham, and Khare, Nilesh Khaireddine H., Lacombe I., Jarboui A
ESG Disclosure Practices	Measurement, reporting, and influencing factors	7	Galant & Cadez Gödker, Katrin and Mertins, Lasse Khamisu M.S., Paluri R.A., Sonwaney V. Tsang, Albert et al. Lokuwaduge & Heenetigala Arthur C.L., Wu J., Yago M., Zhang J. Hahn R., Reimsbach D., Kotzian P., Feder M., Weißenberger B.E.
Investor Behavior and ESG	How ESG information influences investment decisions	5	Bassen A., Gödker K., Lüdeke-Freund F., Oll J. Gatti L., Pizzetti M., Seele P. Thanki H., Shah S., Rathod H.S., Oza A.D., Burduhos-Nergis D.D. Sachdeva M., Lehal R., Gupta S., Gupta S. Hahn R., Reimsbach D., Kotzian P., Feder M., Weißenberger B.E.
Corporate Governance and ESG	The role of governance structures in CSR and ESG	2	Ntim & Soobaroyen Jain & Jamali
Sustainability Reporting and Ratings	Effectiveness and challenges of sustainability reporting and ratings	5	Christensen et al. Boiral O., Talbot D., Brotherton M.-C. Pavláková Dočekalová M., Kocmanová A., Meluzín T., Škapa S. Drempetic et al. Amer E.
Other ESG-related topics	CSR strategies, greenwashing, and specific aspects of ESG	11	Zhou Z., Zhang L., Lin L., Zeng H., Chen X. Aouadi et al. Wendai, Lv and Jing, Feng, and Bin, Li Singh et al. Alshbili I., Elamer A.A., Moustafa M.W. Wojtaszek H., Miciuła I., Gac M., Kabus D., Balcerzyk R., Będźmirowski J., Kowalczyk A. Eng N., Troy C.L.C., Bortree D.S. Hendijani Zadeh M. Brooks, Chris and Oikonomou, Ioannis Hossain M.M., Wang L., Yu J. Malik

4. Discussion

Leveraging the data presented, particularly from

Table 1Our analysis revealed six distinct thematic clusters within the research. These clusters were constructed by examining the primary focus (purpose) of each research article, along with the keywords most closely associated with that focus. This approach resulted in the following thematic groupings: 1) Relationship between ESG and Firm Value, 2) ESG Disclosure Practices, 3) Investor Behavior and ESG, 4) Corporate Governance and ESG, 5) Sustainability Reporting and Ratings, and 6) Other ESG-related Topics.

4.1 Relationship between ESG and Firm Value

The first cluster in Table 3 brings together eleven articles that investigate the connection between a company's environmental, social, and governance (ESG) activities and its financial performance. Researchers employ a variety of methodologies to analyze this relationship.
Event study methodology is used by some to specifically target the impact of ESG activities on initial public offerings (IPOs) (Wang and Xu, 2023). This entails examining a company's stock price movement around the time of its IPO to see if there's evidence that investors consider ESG factors.
Others focus on the link between a firm's CO2 emissions or its corporate social responsibility (CSR) and financial performance(Ntim and Soobaroyen, 2013; Sariannidis et al., 2013). These studies aim to determine if companies with lower emissions or stronger CSR practices outperform financially.
Some studies explore how ESG disclosure influences a company's financial performance(Fatemi et al., 2018; Li et al., 2018; Qiu et al., 2016). This disclosure can be voluntary or mandated by regulators. Some studies examine the direct impact of disclosure on financial performance, while others investigate whether disclosure plays a moderating role in the relationship between other factors, such as CEO power or assurance quality, and financial performance (Fatemi et al., 2018; Khaireddine et al., 2024; Li et al., 2018).
In conclusion, this cluster showcases a strong emphasis on ESG and its connection to financial performance, with researchers employing a variety of methodologies to analyze this relationship. The studies encompass a broad spectrum of ESG factors, including environmental impact, social responsibility, and governance practices.
They also explore the impact of ESG on various aspects of financial performance, such as stock prices and access to capital. This cluster highlights the growing importance of ESG in the financial world and the increasing interest in understanding how ESG activities can create value for firms.
Despite these findings, the evidence remains mixed. While several studies confirm a positive link between ESG practices and financial performance (Fatemi et al., 2018; Li et al., 2018)Others highlight weaker or even neutral effects, raising doubts about the consistency of this relationship (Boiral et al., 2020). This divergence suggests that the impact of ESG may depend on contextual factors such as industry sector, regulatory environment, and time horizon.

4.2 ESG Disclosure Practices

The second cluster contains seven articles that explore various aspects of how companies disclose their environmental, social, and governance (ESG) performance.
Some of the articles focus on how companies measure and report their ESG performance.
For instance, (Galant and Cadez, 2017) review different measurement approaches for CSR and financial performance. They examine the strengths and weaknesses of various metrics used to assess a company's social responsibility and financial performance. Their research helps to identify the challenges that companies face in accurately measuring and reporting their ESG performance.
(Arthur et al., 2017) take a different approach by examining the extent, content, and development trends of GRI performance indicators disclosed in sustainability reports. The Global Reporting Initiative (GRI) is a nonprofit organization that provides a framework for sustainability reporting. By analyzing the use of GRI indicators, they are able to gain insights into the types of ESG information that companies are disclosing and how these disclosures are changing over time.
And, (Lokuwaduge and Heenetigala, 2017) explore the extent of ESG reporting in the Australian mining sector. Their research suggests that mining companies in Australia are increasingly disclosing ESG information, but that there is still room for improvement.
Other articles in this cluster investigate the factors that influence companies' decisions to disclose ESG information:
(Khamisu et al., 2024) explore the motivating factors behind ESG disclosures in emerging economies. They argue that companies in emerging economies may be more likely to disclose ESG information if they are pressured by investors or regulators. Their research helps to shed light on the reasons why ESG disclosure practices may differ between developed and emerging economies.
(Gödker and Mertins, 2018) examine how behavioral research explains the effect of CSR disclosure on investor behavior. They argue that investors may be more likely to invest in companies that disclose strong ESG performance. Their research suggests that companies may disclose ESG information to attract investment.
(Hahn et al., 2021) examine the impact of legitimation strategies in sustainability reports on investor decision-making. Their research suggests that companies that use legitimation strategies in their sustainability reports are more likely to be perceived favorably by investors.
And, (Tsang et al., 2023) provide a comprehensive review of ESG disclosure literature, employing a literature review methodology combined with fuzzy set theory with interpretive structural modelling (FISM)
This cluster of articles provides valuable insights into the current state of ESG disclosure practices. The research suggests that companies are increasingly disclosing ESG information and that there are a variety of factors that influence these disclosures. Companies are developing new methods for measuring and reporting their ESG performance, and they are responding to pressure from investors and regulators to disclose more information.
Yet, tensions remain around disclosure practices. Some studies indicate that disclosure improves investor trust and access to capital, while others point to symbolic or selective reporting that may inflate perceptions without reflecting actual sustainability performance (Hahn et al., 2021). These inconsistencies highlight the ongoing debate on whether disclosure alone can deliver credible ESG outcomes.

4.3 Investor Behavior and ESG

This cluster, encompassing five articles, offers a meticulous examination of the dynamic interplay between environmental, social, and governance (ESG) information and investor decision-making. The employed methodologies showcase a commendable range, fostering a multifaceted understanding of this critical theme.

(Bassen et al., 2019) utilize a survey and structural equation modeling to delve into the influence of climate information presentation on retail investors' choices regarding climate-friendly investments. Their work sheds light on whether framing climate data can demonstrably nudge investment behavior towards sustainability objectives.

Next, we move on to (Gatti et al., 2021), who experiment to illuminate the potential pitfalls of greenwashing, a deceptive practice where companies exaggerate their sustainability efforts. Their research rigorously analyzes the effect of greenwashing on investor intentions, emphasizing the paramount importance of transparent and credible ESG information.

Moving beyond individual investor preferences, (Thanki et al., 2022) leverage structural equation modeling to explore the factors driving a broader range of investors' interest in socially responsible investments (SRI). Their research offers valuable insights into the motivations shaping investor choices concerning SRI options.

(Sachdeva et al., 2023) adopt a distinct approach, employing a fuzzy-AHP method in conjunction with a questionnaire survey. Their work examines how contextual factors, such as economic conditions or social movements, influence investment decisions. This broadens our understanding of the wider environment surrounding ESG-based investment choices.

Finally,(Hahn et al., 2021) conduct a case study analysis to explore the impact of legitimation strategies within sustainability reports on investor decision-making. Legitimation strategies are tactics companies use to justify their actions. This study investigates how these strategies influence investor perception and potentially sway investment choices.

Documented cases further illustrate these dynamics. Misrepresentation of environmental performance, often discussed in the literature on corporate greenwashing (Laufer, 2003; Lyon and Montgomery, 2015), has been shown to undermine investor confidence and create significant financial and reputational risks.

One prominent example is the emissions reporting scandal involving Volkswagen, which revealed how manipulated disclosures can erode trust in both corporate sustainability claims and ESG assessments (Hotten, 2015).

In parallel, social movements have played a central role in shaping investor behavior. The fossil fuel divestment movement, led by student groups, NGOs, and institutional coalitions, has successfully pressured universities, pension funds, and other large asset owners to withdraw from carbon-intensive sectors, signaling a shift in capital allocation (Ansar et al., 2013; Ayling and Gunningham, 2017).

These cases highlight how both corporate misrepresentation and grassroots activism directly influence investment behavior and the allocation of financial resources.

Collectively, this cluster provides invaluable insights into how ESG information and its presentation influence investor behavior. The research within this cluster underscores the importance of transparency, the influence of contextual factors, and the potential pitfalls of greenwashing for investors navigating the ever-evolving landscape of sustainable investing.

4.4 Corporate Governance and ESG

This cluster, containing two articles, delves into the critical role of governance structures in driving Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) practices within companies. The first article, by (Ntim and Soobaroyen, 2013), utilizes a content analysis approach to investigate the connection between corporate governance, CSR, and financial performance. Their work sheds light on how governance structures can influence a company's commitment to social responsibility and its ultimate impact on the bottom line.

The second article, (Jain and Jamali, 2016), takes a different methodological approach. Its authors employ a systematic review and investor surveys to examine the effect of corporate governance on CSR. This research likely explores how governance mechanisms influence investor perception and decision-making regarding companies with strong CSR practices. By analyzing these two articles together, we can gain valuable insights into how effective governance structures act as a lever for driving both social responsibility and financial success within a company that prioritizes ESG factors.

4.5 Sustainability Reporting and Ratings

This Fifth cluster dives into the heart of sustainability reporting and ratings, unveiling both their potential and the challenges that linger. The articles here employ a variety of methodologies to paint a comprehensive picture of this evolving field.

(Christensen et al., 2021) take a critical look through existing research, analyzing the potential economic consequences of mandatory CSR reporting. Their work provides valuable insights for policymakers and corporations alike, considering the growing trend towards mandated sustainability disclosures.

Meanwhile, (Boiral et al., 2020) turn their attention to the world of sustainability rating agencies. Through a meticulous literature review, they assess the robustness of these agencies' evaluation methods, raising crucial questions about the accuracy and consistency of sustainability ratings.

Shifting gears, (Pavláková Dočekalová et al., 2022) embark on a qualitative exploration. Using semi-structured interviews, they delve into the relationship between a company's commitment to sustainability and its economic value added. Their findings offer valuable first-hand perspectives on the potential financial benefits of strong sustainability practices.

The influence of external factors on a company's sustainability performance is also explored within this cluster. (Drempetic et al., 2020) present a case study that utilizes a structural model to analyze how firm size impacts ESG scores. Their work sheds light on potential biases within sustainability ratings that may favor larger companies.

Finally, (Amer, 2018) investigates the ramifications of failing to participate in sustainability initiatives. Their qualitative research, conducted through semi-structured interviews, explores the potential financial penalties faced by companies that neglect to report to the UN Global Compact.

By examining these diverse research approaches, this cluster offers a rich and multifaceted perspective on the complexities surrounding sustainability reporting and ratings.

4.6 Other ESG-related Topics

The final cluster serves as a microcosm of the evolving landscape of responsible investment. It transcends the immediate focus on environmental information, decision-making, and financial performance to encompass a broader spectrum of environmental, social, and governance (ESG) considerations. This cluster offers valuable insights into how companies are approaching sustainability beyond mere environmental impact.

One strand of research within this cluster explores the strategic integration of ESG factors. Here, we see studies examining the influence of carbon risk management on competitiveness (Zhou et al., 2020) and the effect of green leadership practices on environmental performance (Singh et al., 2020). These works highlight how companies are proactively managing ESG risks and opportunities to gain a competitive edge.

Another thread delves into the complexities of ESG disclosure and its impact on various stakeholders. Studies investigate the relationship between ESG controversies and firm value (Aouadi and Marsat, 2018)The impact of voluntary environmental disclosure on financial performance (Wendai et al., 2022), and the link between ESG transparency and corporate payout policies (Hendijani Zadeh, 2021). This research underscores the rising significance of transparency and stakeholder engagement in responsible investment practices.

The cluster also acknowledges the challenges faced in implementing responsible investment strategies, particularly in developing markets. (Alshbili et al., 2021) examine the perceived barriers hindering social and environmental reporting in such contexts. This research is crucial for identifying and mitigating roadblocks to sustainable development on a global scale.

Furthermore, the cluster explores the evolving landscape of corporate social responsibility (CSR). Studies by (Malik, 2015; Wojtaszek et al., 2023) analyze CSR strategies and their value-enhancing capabilities across different countries. This comparative approach helps identify best practices and potential areas for improvement in CSR implementation.

Finally, the cluster acknowledges the growing significance of communication and reputation management in responsible investment. (Eng et al., 2024) assess online corporate communication around commitments to specific sustainable development goals. Additionally, (Hossain et al., 2024) evaluate the relative importance of regulative and reputational pressures on corporate environmental performance. This research highlights the need for companies to effectively communicate their ESG efforts and address stakeholder concerns to maintain a positive reputation.

By examining these diverse and interconnected topics, this final cluster offers a rich tapestry of insights into the multifaceted nature of responsible investment. It underscores the growing importance of ESG considerations for companies seeking to not only enhance financial performance but also contribute to enduring sustainability.

5. Conclusion

Through a recent systematic literature review focused on responsible investment (RI), we explored the intricate relationship between environmental information, investment decisions, and financial performance. Analyzing 39 articles unveiled a dynamic and evolving research landscape brimming with opportunities for positive change.

The study underscored the growing influence of environmental, social, and governance (ESG) factors. These factors are no longer on the periphery of investor decision-making and corporate strategy, but rather becoming central considerations. Our analysis suggests that RI has the potential to be a powerful driver of positive environmental change, ultimately contributing to a more sustainable future.

Companies are responding to investor pressure and a growing recognition of transparency's benefits by disclosing more ESG information. This increased transparency empowers investors to make informed choices. However, investor behavior is demonstrably influenced by more than just raw data. Concerns about greenwashing, where companies exaggerate their sustainability efforts, and the influence of broader social movements can also impact investment choices.

Effective corporate governance emerged as another critical factor. Companies with strong governance structures are better positioned to foster robust ESG practices within their organizations. While sustainability reporting and ratings are evolving as mechanisms to assess ESG performance, challenges persist. These challenges include ensuring the accuracy of ratings and navigating the potential economic consequences of mandatory sustainability reporting.

Our research also revealed that responsible investment goes beyond just environmental impact. It encompasses a broad spectrum of considerations, including social and governance factors. Further research is necessary to address ongoing challenges. Developing standardized ESG metrics, comprehending the long-term financial and environmental impacts of RI, and mitigating greenwashing are crucial areas for future investigation. Exploring the social and governance aspects of ESG and promoting RI in developing economies are also vital for achieving global sustainability.

Future research should explore technological solutions for credible ESG reporting, such as blockchain-based verification systems that reduce risks of greenwashing. Comparative studies between developed and emerging markets would shed light on contextual differences in responsible investment practices, particularly regarding policy frameworks and investor expectations. Policymakers could also test targeted incentives, such as tax benefits or subsidies, to encourage small and medium-sized enterprises to integrate ESG criteria. These directions would move the field from general advocacy to concrete mechanisms for improving practice.

This research deepens our collective understanding of RI and its potential to drive positive change. The findings can inform us all – investors, corporations, and policymakers alike – as we make informed decisions that promote sustainable development. By addressing research gaps and pursuing new avenues of inquiry, we can collaborate to maximize the positive impacts of RI and build a better future for all.

Declaration of Generative AI and AI-assisted Technologies in the Writing Process

During the preparation of this work, the author(s) used [Google GEMINI] to improve the readability and coherence of the article. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

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