SUSTAINABILITY REPORTING AND ITS IMPACT ON CORPORATE FINANCIAL PERFORMANCE: A LITERATURE REVIEW

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ABSTRACT

Sustainability is the most critical issue faced by an organization today; having the potential to influence overall performance and profitability of organization. The purpose of this study is to examine the impact of sustainability reporting on corporate financial performance through review of extant literature. Various researches have been conducted over the last decade for examining this relationship. The results are mixed, inconsistent and often contradictory; ranging from positive, to negative, to statistically insignificant relationship; depending upon the choice of measure of sustainability reporting, measure of financial performance, sample composition, time-period, and control variables. We, however, observed that the majority of studies suggest positive relationship. This paper attempts to critically analyze the existing researches to lay down scope for further research which may provide better and more consistent results. Further, the laws, regulations and standards on sustainability reporting are contemplated to become more stringent and mandatory in near future. Thus, the companies should adopt sustainability reporting as early as possible to avoid regulatory actions in future. Another important issue which needs to be addressed is concern over the reliability of sustainability reports. To resolve this issue, firms should get their sustainability reports externally assured from credible assurance providers like KPMG, EY, etc. to establish their image as a credible reporter in the perception of stakeholders. Without the credibility and trust that is put by stakeholders, business is impossible to run.

Keywords*: Corporate Financial Performance, Corporate Governance, Corporate Social Responsibility (CSR), Environmental Responsibility, Stakeholder Engagement, Sustainability Reporting..*

Introduction:

Sustainability is the most critical issue faced by an organization today. World Business Council for Sustainable Development (2002) defined Corporate Sustainability as - "the commitment of business to contribute to sustainable economic development, and to work with employees, their families, the local community and society at large to improve their quality of life." In today's age, firms should take accountability for and disclose impacts of their operations on the overall society and environment in which they exist. Therefore, the concept of Sustainability Reporting has been assuming great importance. Global Reporting Initiative (2011) defines 'Sustainability Reporting' as – *"The practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development."*

The financial analysts, investors and other stakeholders are increasingly demanding information on non-financial, i.e. Environmental, Social and Governance (ESG) performance of companies, over and above their financial information, so as to take more rational and informed investment decisions. According to Hubbard (2008), the number of investors who seek to invest in Socially Responsible Investments (SRI) has been growing rapidly; leading to the creation of various sustainability indices, such as Dow Jones Sustainability Index

(DJSI), Johannesburg Stock Exchange (JSE) SRI Index, Domini Social Index (DSI), etc.

KPMG (2011) in its International Survey on Corporate Responsibility Reporting found that 95% of the 250 largest companies in the world conduct corporate responsibility reporting. About 50% companies in Asia Pacific carry out corporate responsibility reporting. The European firms are the leading ones. White (2012) stated in his report that the JSE was the first exchange to have mandated integrated reporting in a single report for listed companies from March 2010. The Integrated Reporting Framework, which is the first of its kind across the globe, is expected to be published by the end of 2013.

In India, the Ministry of Corporate Affairs (MCA) issued the 'National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business' in July 2011. These guidelines furnish principles and layout of corporate responsibility reporting for all Indian companies, including MNCs and SMEs. The Securities and Exchange Board of India (SEBI) issued a Circular on Business Responsibility Reports, dated August 13, 2012, mandating listed companies to practice NVG and to uniformly disclose their responsibility efforts in Business Responsibility Reports (BRRs) as part of Annual Reports. The provisions of circular are compulsory for top 100 listed entities based on market capitalization at BSE and NSE as on March 31, 2012, and are applicable with effect from financial year ending on or after December 31, 2012 (SEBI, 2012). As per the report by John (2012, Dec 11) - number of Indian companies who report as per framework developed by Global Reporting Initiative (GRI) has increased significantly from only 34 at the end of year 2011 to around 80 at the end of 2012. Among these are popular companies like Wipro, TCS, ITC, Infosys, HUL, L&T, Tata Steel, etc.

It is widely believed that sustainability reporting lays a foundation for preserving and enhancing value of firm through various strategic benefits such as – improved stakeholder engagement or relations, better customer access, customer loyalty, new products, new markets, good brand image, improved employee morale, retention and loyalty, risk avoidance, easier access to capital, strengthened license to operate, cost savings, productivity, etc. (Warren & Thomsen, 2012). Various researches have been conducted over the last decade for examining the relationship between sustainability reporting and financial performance. But the results are mixed, inconsistent and often contradictory.

Objectives of the Study:

This paper aims to achieve the following objectives:

- To provide an overview of the concept of Sustainability Reporting and GRI Framework.
- To study the impact of sustainability reporting on financial performance of company.
- To build theoretical framework establishing linkage between sustainability reporting and corporate financial performance.
- To provide a review of extant literature in order to throw light on the findings, conclusions and limitations of studies pertaining to our research topic, and to lay down the scope for further research that may facilitate future research in this area.

Research Method:

We used qualitative and descriptive research approach in this literature review paper. We surveyed, studied, analyzed and summarized the findings and limitations of various important research papers, studies, articles and other sources pertaining to our research objectives.

Concept of Sustainability Reporting:

According to the International Institute of Sustainable Development (IISD), the concept of Sustainability Reporting has evolved since 1980s when the first environmental report appeared. It is sometimes also referred to as - Corporate Responsibility Reporting (CRR) or Triple Bottom Line (TBL) Reporting. Elkington (1998) developed the term "triple bottom line" to emphasize on three aspects - profits (economic), people (social), and planet (environmental). Sustainability Reports are published by firms to provide a description of their triple bottom line performance and to show the commitment of firm towards its diverse stakeholders. According to G3.1 Sustainability Reporting guidelines developed by Global Reporting Initiative (2011) - "The 'environmental dimension' of sustainability concerns an organization's impacts on living and non-living natural systems, including ecosystems, land, air, and water. The 'social dimension' of sustainability concerns the impacts an organization has on the social systems within which it operates. The 'economic dimension' of sustainability concerns the organization's impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels."

Global Reporting Initiative (GRI):

Global Reporting Initiative (GRI) is an international, non-profit, network-based organization. It is a multi-stakeholder effort to provide a comprehensive sustainability reporting framework which can be widely used by all companies around the world. The Sustainability Reporting Guidelines are the basis and spine of GRI's Framework. They promote transparent disclosure of company performance along key sustainability aspects. The GRI committee delivered the first set of sustainability reporting guidelines in June 2000. The fourth generation version – G4 guidelines has recently been launched at GRI's 2013 Global Conference held on 22nd May, 2013. The G4 version is the most recent, comprehensive and recommended version. It is more user-friendly and is more

accessible for new reporters. Moreover, it harmonizes with other major and significant global frameworks.

The GRI Sustainability Reports are prepared on the basis of certain principles which define the contents and quality of report. These include: Materiality, Stakeholder Inclusiveness, Sustainability Context, Completeness, Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability. The standard disclosures under GRI Sustainability Reporting Guidelines include - Strategy and Analysis, Organizational Profile, Report Parameters, Governance, Stakeholder Engagement, and Management Approach and Performance Indicators, i.e. Economic, Environmental, and Social Performance Indicators. Social indicators are further divided into four categories: Labor Practices and Decent Work, Human Rights, Society, and Product Responsibility.

Other organizations and standards related to sustainability reporting include International Integrated Reporting Council (IIRC) – formed in August 2010, United Nations Environment Programme Finance Initiative (UNEP FI), ISO 14063 : 2006 on Environmental management & Environmental communication, AA1000AccountAbility Principles Standard (AA1000APS- 2008), AA1000 Assurance Standard (AA1000AS- 2008), Social Accountability 8000 (SA8000), etc.

Theoretical Framework:

A. Legitimacy Theory:

Lindblom (1993) defined legitimacy as- "a condition which exists when an entity's value system is in harmony with the value system of society." According to this theory, it is essential to meet the societal norms and expectations to ensure the survival of firm in long-term. The proponents of legitimacy theory (Patten, 1992; Deegan, 2000) argue that sustainability reporting tends to reduce the risk of regulatory actions and boycotts by stakeholders, and it strengthens the firm's license to operate.

B. Stakeholder theory:

Stakeholders refer to those individuals, groups, or organizations that are likely to influence, or be influenced by the operations and decisions of firm. According to Freeman (1984), the stakeholder theory upholds that firms have accountability towards a broad range of stakeholders, apart from shareholders, i.e. creditors, customers, suppliers, employees, government, community, environment, future generations, etc. King (2002) recognized the significance of integrated sustainability reporting in strengthening the relationship between firm and society in which it operates. Ignoring the stakeholder interests may taint firm's public image, which would unfavorably affect its financial performance.

C. Agency theory:

The agency theory is based on principal-agent relationship which exists between the owners and managers. This theory has gained significance in the wake of corporate governance scandals like Satyam scam. It is well known that conflict of interest and information asymmetry exists between company managers (insiders) and shareholders & other stakeholders (outsiders). In the absence of adequate public disclosure by companies, the amount of risk perceived by investors rises significantly (de Klerk & de Villiers, 2012). This causes the market to under-value the shares or demand more returns from firms which do not disclose appropriately. Sustainability Reporting reduces information asymmetry and risk perceived by investors, increases market efficiency and reduces cost of capital to firm (Dhaliwal et al., 2011; Warren & Thomsen, 2012).

Literature Review:

A large number of research studies have been conducted in the context of sustainability reporting and its impact on financial performance during the last two decades. Prior to that emphasis was on examining the relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). The first study in this regard was conducted by Narver in 1971. Margolis and Walsh (2003) evaluated 127 published studies between 1972 and 2002 to study this relationship. Out of 127 studies, 4 studies analyzed bi-directional relationship. 109 studies treated sustainability performance as independent variable, out of which 54 showed positive relationship, 7 showed negative relationship, 28 showed non-significant relationship and 20 showed mixed results. In 22 studies, corporate sustainability was taken as dependent variable, out of which 16 showed positive relationship. Orlitzky et al. (2003) performed a meta-analysis of 52 empirical studies and concluded that, "corporate social performance is positively correlated with financial performance and the relationship tends to be bi-directional and simultaneous." They also found that CSR performance measures were more highly correlated with accounting-based measures than with marked-based indicators.

In SAM White Paper, SAM and Robeco (2011) argued that sustainability reporting would impact corporate financial performance either through cash flows or through cost of capital. Some researchers use accounting-based measures like Return on Assets (ROA), Return on Equity (ROE), Return on Sales (ROS), Profit before Taxation (PBT), Cash Flow from Operations (CFO), etc., while others use market-based measures such as Stock Returns, Share Prices, Market Value Added (MVA), etc.

The prior researches provide no clear and precise relationship between sustainability reporting and financial performance. The results are mixed and often contradictory. Now we organize the literature review into different parts; exhibiting

positive, negative, not significant, or mixed relationship, to bring more clarity and make it easier to comprehend the nature of association between sustainability reporting and corporate financial performance.

Positive Relationship:

The majority of research studies provide evidence of a positive and significant association between sustainability disclosures and financial performance owing to various synergies and benefits. Baumunk (2009) mentioned that primary advantages of sustainability reporting are: 1) higher demand for firm's offerings; and 2) increase in stock prices. The Table - 1 given below gives a description of some important studies establishing positive relationship.

Table – 1: Positive Relationship between Sustainability Reporting and Financial Performance

S.No.	Study	Measure of Sustainability Reporting	Measure of Financial Performance	Sample Description & Data Sources	Key Findings and Conclusions	Remarks and Limitations (if any)
1.	Ngwakwe (2009)	3 Indicators of sustainability: employee health and safety, waste management, and community development.	Return on Total Assets (ROA), and amount expended on fines, penalties and compensations (FPC), including litigation costs.	Using a field survey methodology, a sample of 60 manufacturing companies in Nigeria was studied; which were categorized into 30 responsible firms and 30 irresponsible firms. Test Period: 1997-2006. The data has been collected from financial statements of these firms and questionnaire.	Increased investment in sustainability indicators led to increase in ROA; reduction in amount spent on fines, penalties and compensations; and improved relations with stakeholders.	The paper recommends research into the relationship between sustainability and conflict management.
2.	Greenwald (2010)	ESG Performance Scores from Asset4 database.	Amount by which Actual Reported Earnings exceed the Estimated Earnings.	Sample: US Companies (Asset4 Universe). I/B/E/S Surprise History data was used for earnings. Annual Earnings for the period 2004-July 2010 & Quarterly Earnings for 2008-July 2010 are considered.	ESG laggards exceeded estimates 61.5% of the time, while ESG leaders exceeded estimates 70.8% of the time, indicating positive correlation.	-
3.	Guindry and Patten (2010)	Sustainability Report Quality Content Analysis Score (CA Score) based on 55 sustainability performance indicators as per GRI, and scored on a scale of 0-3.	Marker Reaction and Cumulative abnormal returns (CARs) over three-day event period. $CAR = a_1 + b_1CAscore + b_2Industry + b_3Size$	Sample: 37 US-based public cos. which made press release announcement for the first-time issuance of a standalone sustainability report over the period 2001-2008. Academic Universe Lexis-Nexis database and New York Stock Exchange value-weighted index were used as data sources.	The paper finds no significant market reaction to the announcement. However, in cross-sectional analyses, companies with highest quality reports exhibited significantly more positive market reactions than companies issuing lower quality reports.	The paper examines only US firms. The sample is quite small (37). The focus is only on shareholders' or investors' perception of value.
4.	Schadewitz and Niskala (2010)	Existence of firms' GRI based Sustainability Reports.	Market Value of Firm, based on conventional Ohlson valuation model.	The sample covered all listed firms in Finland that adopted GRI during the years 2002-05. Thomson Financial Services (commercial database) was used.	GRI based sustainability reporting is an important explanatory factor for market value of firm. It reduces information asymmetry between mangers and other stakeholders.	-
5.	Lys et al. (2011)	A2IR (CSR) score produced by Asset4 and dummy variables - whether firm issues standalone CSR report, whether report uses GRI framework, and whether report has been audited.	Future changes in ROA, operating cash flow scaled by total assets (CFO) and size adjusted stock returns (SAR).	The sample consists of firms in the Russell 1000 and grows over the period 2002-2010. Total firm years = 6,285 The financial data is collected from Compustat and stock return information from CRSP.	The study finds that the source of positive association between financial performance and CSR investments is more likely due to signaling value of CSR disclosures, than positive returns on those investments.	-
6.	SAM and Robeco (2011)	Sustainability Scores from SAM database	Stock returns	Study comprises all companies that participated in SAM's annual Corporate Sustainability Assessment between 2001-2010, excluding companies in emerging markets and Canada. Final data set includes 465 companies p.a.	Results reveal positive relationship between sustainability and financial performance, demonstrating the superior alpha potential of sustainability leaders.	Emerging markets have been excluded from sample.
7.	Ameer and Othman (2012)	Scores on 4 Sustainability Indices including – (22) items for environment, Diversity (21), community (12), & ethical standards (13). Each item was scored from 0-4 based on disclosure in sustainability report.	Sales revenue growth (SRG), return on assets (ROA), profit before tax (PBT), and cash flows from operating activities (CFO).	Sample consisted of top 100 sustainable global companies in 2008. Test Period: 2006 to 2010. ESG data was drawn from a content analysis of sustainability reports. Financial data were downloaded from Thomson financials Worldscope.	They found that firms with higher sustainability disclosure scores had significantly higher mean sales revenue growth, ROA, PBT and CFO over the test period from 2006-2010. The study suggested bi-directional relationship between sustainability practices and financial performance.	It focused only on top 100 global sustainable companies which were mostly from developed economies. Future research should consider developing economies also.
8.	Bayoud et al. (2012a, April)	Level of Corporate Social Responsibility Disclosure (CSRD) represented by Employee, Community, Consumer and Environment disclosures.	Corporate Reputation	Quantitative data consists of 110 annual reports of 40 Libyan companies and 149 questionnaires collected from managers and employees to measure corporate reputation. Test Period: 2007-09 In qualitative data, 31 financial managers and information managers express their perception about relationship between CSRD and corporate reputation.	The results confirm that a high level of CSRD is strongly associated with company reputation for stakeholder groups. The results show that most companies (60%) disclose all four categories of CSRD, whereas few companies (5%) do not present CSR information in their annual reports.	This paper uses only annual report & ignores other corporate mass communication means. Also, sample size is small (40) & content analysis may be affected by subjectivity. Future research should analyze various categories of disclosures individually.
9.	de Klerk and de Villiers (2012)	Two measures of CRR: 1st is a comprehensive disclosure measure against 87 items using KPMG survey. 2nd measure is a dummy variable indicating whether company uses GRI guidelines for CRR or not.	Share prices (market value of equity) using modified Ohlson (1995) model, as developed by Hassel et al. (2005).	Sample: 69 companies; out of top 100 South African companies by revenue, as identified in KPMG Survey of 2008. KPMG data set on CRR and McGregor BFA database for financial data have been used.	The share prices & market value of companies with higher levels of CRR are likely to be higher and CRR is value-relevant for investment decision-making.	The classification scheme used to select environmentally sensitive industries may be too restrictive. For more extensive evidence, this study can be replicated over a longer period of time and CRR measures can be refined further.

10.	**Eccles et al. (2012)**	Equal-weighted Sustainability policies index, ESG disclosure scores	Stock returns, ROA, ROE	180 US firms: 90 high sustainability firms and 90 low sustainability firms. Test period: 1993 to 2010. Asset4 Database, Bloomberg ESG scores, SAM data are used.	The study provides evidence that High Sustainability companies significantly outperform their counterparts over the long-term, both in terms of stock market and accounting performance.	-
11.	**Khaveh et al. (2012)**	Sustainability reporting index scores, using 5 environmental and 5 social indicators, based on G3.1 GRI Guidelines.	Revenue, Average share price	45 public cos. listed on Singapore Exchange main market from 2008-2010. All financial data are collected from companies' annual reports, and scores from sustainability index constructed.	The study found a positive and significant relationship between sustainability reporting and revenue and share price as well.	-
12.	**N. Burhan and Rahmanti (2012)**	Disclosure index scores based on GRI	ROA	Sample: 32 companies listed on Indonesian Stock Exchange during 2006 to 2009. Secondary data (annual report and sustainability report) collected from Indonesian Stock Exchange Website, company's website and Capital Market Information Centre.	The result shows that sustainability reporting influences company performance. However, partially, only social performance disclosure influences the company performance.	Small sample size (only 32) & Short time frame considered (only 4 years).

Negative Relationship:

Cormier and Magnan (2007) argued that there are some potential costs and threats associated with extensive disclosure of information like R&D, product & process innovation, approaches to risk management, eco-efficiency, training & development, etc. Competitors, regulators and pressure groups may use such information against the interests of firm resulting in loss of competitive advantage and decline in financial performance. The sustainability initiatives initially involve huge increase in costs and thus have negative effect on financial performance in short run. Two studies exhibiting short-term negative relationship are described below in Table – 2.

(Table – 2): Negative Relationship between Sustainability Reporting and Financial Performance

S.N	Study	Measure of Sustainability Reporting	Measure of Financial Performance	Sample Description & Data Sources	Key Findings and Conclusions	Remarks & Limitations
1.	**Lopez et al. (2007)**	Dummy variable, 0 if the firm belonged to DJGI and 1 if it belonged to DJSI.	PBT & Cost of Capital. Financial data is obtained from Amadeus database, financial statements & other corporate disclosures available on Internet.	Sample: Two groups of 55 European firms each of similar size and capital structure, studied for the period 1998–2004. One group belonged to DJSI, and another quoted on Dow Jones Global Index (DJGI) but not on the DJSI.	Study finds negative impact of sustainability practices on performance in short-term, after controlling for size, industry and risk. Control variables were not significant and no significant difference was found between two groups w.r.t cost of capital.	Longer time frame needs to be considered in future researches.
2.	**Detre and Gunderson (2011)**	Announcement for firm's inclusion in DJSI	Share values and Cumulative Abnormal Returns (CAR).	Test Period: 1999 to 2008. Sample: 36 publicly-traded US agri-business firms, which are members of DJSI and are traded on NYSE, NASDAQ, or AMEX. The study uses an event study methodology using the software package Eventus. CRSP database is used for returns data.	The study found that share values of agri-businesses react negatively & significantly, at least in the short-term, when the announcement is made that the firm will become a member of the DJSI. This might be due to the increased costs associated with sustainable initiatives.	The study used the corrected Patell test statistic to test for the presence of abnormal returns because it corrects for serial correlation.

No Significant Relationship

Some researchers believe that any relationship between sustainability reporting as a whole and company's financial performance is merely accidental (McWilliams & Siegel, 2000). Some other researchers are of the viewpoint that sustainability disclosures have no significant impact on firm performance in short-term, while the effect may be positive in long-term due to reputational benefits (Adams et al., 2012). It is often argued that varying effects of different sustainability performance indicators (environmental, social, etc.) may negate and counterbalance each other, resulting in no significant impact on financial performance (Ullmann, 1985; Ziegler et al., 2002; Statman, 2006; Galema et al., 2008). Some studies providing no significant relation between sustainability reporting and financial performance are described in Table – 3 below.

(Table – 3): No Significant Relationship between Sustainability Reporting and Company Performance

S. No.	Study and Country	Key Findings
1.	**Ziegler et al. (2002) –Europe**	Results indicate that sustainable behavior of company management neither improves nor decreases shareholder value. The environmental performance has significant positive effect; while social performance has negative effect on average monthly stock return.
2.	**Van de Velde et al. (2005) – Europe**	Results indicate that high sustainability-rated portfolios have performed better than low-rated portfolios in terms of average monthly portfolio returns, but not to a significant extent.
3.	**Buys et al. (2011) –South Africa**	Results indicate that economic performance of companies that voluntarily submitted sustainability reports to GRI (as measured by ROA, EVA and MVA) are better but not statistically significant, than those who do not report as per GRI guidelines. However, there is no evidence that GRI reporting firms are significantly more profitable in terms of ROE.
4.	**Adams et al. (2012) –US**	Results indicate that Sustainability Label (proxied by DJSI Membership) has no statistically significant impact on financial performance of firms in short term (as measured by % change in stock price).
5.	**Humphrey et al. (2012a) – UK**	Study finds that - Overall, there is no difference in financial performance (monthly portfolio returns) of firms with high or low ESG rankings (as per SAM database). However, high rated firms are consistently larger in size. Thus, stocks with good ESG ratings are likely to be larger, more liquid, easier to trade, and hence more desirable for investors.
6.	**Humphrey et al. (2012b) – UK**	Study finds no significant difference in risk-adjusted monthly total returns of portfolios with high and low ESG ratings. Results also indicate that high and low rated firms do not differ in terms of their idiosyncratic risk.
7.	**Venanzi (2012) – Europe**	Results indicate null or weak significance of relationship between corporate social ratings (related to 8 different stakeholder groups) and financial performance in the sample as a whole. The study concluded that this relationship is firm specific; and firms are not equally socially responsible towards all stakeholders, but invest more in key and influential stakeholders.

Mixed Relationship – (Arguments suggesting use of disaggregated approach):

Sustainability disclosures comprise of various components, which may have varying impacts offsetting each other; making it difficult to arrive at any precise or significant relation between sustainability reporting and financial performance (Ullmann, 1985; McWilliams & Siegel, 2000). Therefore, it is better to separately investigate the impact of each component of sustainability on financial performance to arrive at clearer and more concrete results. Some studies adopting disaggregated approach and providing mixed results are described in Table – 4 below.

(Table – 4): Mixed Relationship between Sustainability Reporting and Financial Performance

S N	Study and Country	Key Findings
1.	**Jones (2005) – Australia**	Sustainability disclosure is found to be strongly & positively associated with some financial measures; while negatively associated with other measures. Overall, results indicate negative but weak association between GRI Reporting Index Score and Market Adjusted Returns.
2.	**Bassen et al. (2006) – MSCI World Index**	Composite Corporate Responsibility Disclosure Rating does not significantly correlate with ROA & ROE. However, Equity Risk (beta) is negatively & significantly correlated. Further, Social issues seem to be more significant for debt risk (credit rating).
3.	**Brammer et al. (2006) – UK**	Main finding is that firms with higher social performance scores tend to achieve lower stock returns. Further, environmental and community indicators are negatively correlated with returns; while employment indicator is weakly positively related.
4.	**Semenova et al. (2009) – Switzerland**	Overall finding is that companies with higher environmental and social performance tend to achieve higher returns using Ohlson model (1995). Specifically, Employee Relations have significant negative relation; while Environment, Community and Suppliers have significant positive relation with market value of equity.
5.	**Manescu (2011) – US**	Aggregate ESG Score has no significant effect on stock returns over test period from 1991-2006. Corporate governance, diversity, and environment scores have no significant effects; while Community relations have positive effect on risk-adjusted stock returns.
6.	**Robinson et al. (2011) – North America**	Results provide evidence that there is sustained increase in firm's performance (measured by mean Cumulative Abnormal Returns) subsequent to its addition to DJSI, while no significant effect is observed following a firm's removal from DJSI.
7.	**Bayoud et al. (2012b) – Libya**	Results reveal that corporate responsibility disclosure has positive & significant relationship with financial performance & reputation. However, study finds no significant association between such disclosure and employee commitment.
8.	**Faisal et al. (2012) – 24 countries**	Firms with large size and those in high profile industries tend to disclose more sustainability information. Presence of extra voluntary statement has significant & positive relationship with Sustainability Disclosure Index Score. However, no association between board independence and disclosure score is found.
9.	**Mohd Taib and Ameer (2012) - UK and US**	Results show that UK companies' disclosures are higher than US companies'. Over the test period from 2005-09, study finds significant differences in financial performance of UK & US cos. in terms of sales growth, but no difference in terms of Leverage, ROA & ROE. Empirical results show that Community, Business Ethics & Environment Indices do not have, but Diversity Index has positive & significant impact on financial performance of companies.

Conclusions:

The number of companies who issue sustainability reports has significantly increased during the last decade. Various researches have been conducted over the last decade for examining the linkage between sustainability reporting and corporate financial performance. There also exists a strong theoretical framework in support of sustainability reporting; encompassing Legitimacy, Stakeholder and Agency Theory. Particularly, 30 studies have been analyzed in this regard. The results are mixed and range from positive, to negative, to statistically insignificant relationship, depending upon the choice of measure of sustainability reporting (may be disclosure index scores, independent sustainability ratings, dummy variables indicating issue of GRI Report or membership of popular sustainability indices); measure of financial performance (may be cost of capital, accounting-based measures, market-based measures, or mixture of these measures); sample selection (large or small sample size; from developed or developing countries); and control variables (firm size, industry, risk). Out of 30 studies, 12 exhibit positive relationship, 2 show short-term negative relationship, 7 show no significant relationship and 9 studies (most of which used disaggregated approach) provide mixed results. They show that various indicators of sustainability (environment, community, diversity, business ethics, customer relations, employees) - have varying impacts on different measures of financial performance. Thus, majority of studies suggest that sustainability reporting enhance corporate reputation and financial performance as it results in various synergies and benefits accruing to the reporting firm.

Scope for Further Research:

This paper analyses and summarizes findings and conclusions of several studies in the area of sustainability reporting. There is a lot of scope for further analysis. Future research in this area is required to be conducted by using systematic disaggregated approach, in order to separately examine the impact of each dimension of sustainability (i.e. economic, social, environmental and governance), so as to arrive at clearer and more precise association between sustainability reporting practices and financial performance. Also most of the existing researches have been carried out in the background of developed countries like UK, USA, Europe, etc. Thus, there is a need to investigate this linkage in the context of developing countries like India.

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