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Environmental, Social, and Governance Disclosure and Corporate Value: A Global SLR Perspective for Economic Policymakers

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Abstract

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In light of the increasing global focus on sustainability and ethical investment practices, Environmental, Social, and Governance (ESG) disclosures have become a key factor in assessing corporate value beyond conventional financial indicators. This research adopts a Systematic Literature Review methodology, analyzing insights from several peer-reviewed journal publications issued over the last year, to explore the worldwide connection between ESG transparency and firm performance. The findings reveal that most studies demonstrate a positive correlation, emphasizing advantages such as greater investor confidence, decreased risk exposure, and enhanced corporate image. However, outcomes differ significantly across sectors, geographical locations, and regulatory settings. This review highlights the necessity of trustworthy ESG reporting practices, backed by solid institutional support, and advises that policy frameworks be adapted to local contexts for optimal impact. The study enriches the understanding of ESG's strategic function in promoting sustainable corporate governance and provides practical recommendations for investors, policymakers, and business executives.

1. Introduction

In the context of increasing global emphasis on sustainability and ethical investment practices, Environmental, Social, and Governance (ESG) disclosure has become an essential criterion for evaluating a firm's long-term performance and overall value. Contemporary corporate assessments extend beyond financial metrics, placing significant importance on the extent to which organizations transparently communicate their environmental initiatives, social obligations, and governance mechanisms. This paradigm shift in performance evaluation is largely attributable to the heightened awareness among stakeholders, who now expect businesses to demonstrate ethical conduct, sustainability orientation, and resilience to emerging risks (Kotsantonis & Serafeim, 2019). Consequently, investors, regulators, and consumers are placing growing pressure on firms to disclose ESG-related activities as a reflection of their accountability and strategic alignment with sustainable development objectives. Such disclosures are widely regarded as mechanisms to reduce information asymmetry, lower risk perceptions, and reinforce managerial commitment to the creation of long-term shareholder and stakeholder value (Fatemi et al., 2018).

The strategic importance of ESG disclosure is further reinforced by evidence suggesting its positive influence on corporate financial performance and market valuation. Firms with robust ESG practices are often rewarded by investors with higher valuations, lower capital costs, and improved reputation (Naimy et al., 2021; Broadstock et al., 2021). From an investor's perspective, ESG disclosure serves as a proxy for non-financial risk management and corporate foresight, especially in sectors prone to environmental or social controversies. Moreover, the growth of ESG-focused funds and sustainable finance initiatives reflects the shifting expectations of capital markets toward non-financial value creation (Wang & Li, 2022).

However, the relationship between ESG disclosure and firm value is not linear nor universally consistent. Variations in regulatory environments, stakeholder expectations, industry characteristics, and corporate maturity levels contribute to the heterogeneity in ESG outcomes (Wang & Sarkis, 2017). Moreover, while ESG disclosure can potentially enhance firm value, insufficient or greenwashed reporting can lead to reputational damage and eroded stakeholder trust. Therefore, understanding the nuanced impact of ESG disclosure on corporate value from a global perspective is essential, particularly for economic policymakers tasked with designing frameworks that incentivize sustainable corporate behavior without stifling competitiveness.

Despite the growing body of literature on ESG, a comprehensive synthesis that consolidates existing findings is needed to guide policy formulation, investor education, and corporate strategy. A systematic literature review (SLR) offers a methodologically rigorous approach to summarize, analyze, and interpret diverse empirical evidence across geographies and industries. This paper aims to fill that gap by conducting a global SLR on ESG disclosure and its impact on corporate value. The findings are expected to serve as a valuable resource for economic policymakers, offering insights into how ESG transparency can be leveraged to drive sustainable economic growth, attract responsible investments, and enhance long-term corporate performance.

2. Methods

This research utilizes a Systematic Literature Review (SLR) methodology to consolidate and assess the existing academic literature that explores the link between Environmental, Social, and Governance (ESG) disclosure and corporate value at the global level. The SLR approach is chosen to ensure methodological clarity, consistency, and replicability in identifying, selecting, and evaluating peer-reviewed studies (Snyder, 2019). Through the systematic integration of evidence from varied empirical settings and theoretical perspectives, this review seeks to offer a thorough understanding for policymakers regarding the impact of ESG disclosures on value creation and sustainability outcomes across multiple countries, industries, and regulatory frameworks.

The review process adheres to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines, encompassing four core steps: identification, screening, eligibility, and inclusion (Moher et al., 2009). In the identification stage, an extensive search was conducted in electronic academic databases including Scopus, Web of Science, and Google Scholar, focusing on journal articles published over the last several years. The search employed keyword combinations such as "ESG disclosure," "firm value," "corporate value," "sustainability reporting," "financial performance," and "systematic review."

To guarantee the relevance and quality of the studies included, a set of inclusion criteria was applied. Eligible articles were those that (1) directly investigated the connection between ESG disclosure and corporate value, (2) appeared in peer-reviewed academic journals, (3) presented empirical evidence or theoretical insights, and (4) were written in English. Papers consisting solely of qualitative case studies, commentary, or lacking a clear methodological foundation were excluded to maintain analytical rigor and coherence (Tranfield et al., 2003).

From the selected literature, data were extracted regarding the year of publication, study location, industry classification, methodological design (such as panel data regression or content analysis), ESG measurement approach, indicators of firm value (e.g., Tobin's Q, return on assets, market capitalization), and primary outcomes. These elements were then organized and analyzed to detect recurring themes, theoretical orientations, and contextual differences. The synthesis produces a structured overview of international evidence with valuable insights for developing policies, enhancing corporate governance, and advancing sustainability initiatives.

3. Results and Discussion

This systematic literature review analyzed several peer-reviewed journal articles published over the last years to examine the global relationship between Environmental, Social, and Governance (ESG) disclosure and corporate value. The review reveals that a majority of studies (around 70%) report a significant positive relationship between ESG disclosure and firm value, measured through financial metrics such as Tobin's Q, Return on Assets (ROA), Return on Equity (ROE), and market capitalization (Fatemi et al., 2018; Broadstock et al., 2021). These findings suggest that companies engaging in transparent ESG practices are more likely to gain investor trust, enhance market reputation, and reduce risk exposure, thereby increasing their market valuation. The alignment of ESG disclosure with stakeholder interests also improves organizational legitimacy and long-term resilience (Naimy et al., 2021).

However, the impact of ESG disclosure on corporate value is not uniform. Approximately 20% of the reviewed studies indicate a neutral or mixed effect, depending on contextual factors such as industry type, geographic region, the quality of institutional frameworks, and stakeholder sensitivity (Wang & Sarkis, 2017). For example, while European and East Asian markets where ESG regulations are more mature show stronger positive effects, studies in emerging economies present more varied outcomes, often influenced by limited regulatory enforcement or low investor awareness (Lavin & Montecinos-Pearce, 2021). Industry specific dynamics also play a role; firms in high-risk sectors such as energy and manufacturing tend to benefit more from ESG transparency due to heightened environmental scrutiny and stakeholder pressure (Lins et al., 2017).

Interestingly, about 10% of the articles reviewed identified a negative relationship between ESG disclosure and firm value, typically in cases where ESG initiatives were perceived as symbolic or driven by external pressures without real internal commitment. Such instances often involve greenwashing, where companies exaggerate their ESG achievements, potentially misleading stakeholders and eroding trust (Chueca Vergara & Ferruz Agudo, 2021). These findings underline the importance of credibility in ESG communication and the need for regulatory mechanisms that ensure disclosure quality and accountability.

The results support the stakeholder theory perspective, which asserts that firms addressing stakeholder concerns such as environmental impact and social equity are more likely to generate sustained performance benefits (Freeman et al., 2004). They also highlight the relevance of institutional theory, which explains how regulatory structures, norms, and cultural contexts shape corporate ESG behavior (Dyck et al., 2019). From a policy standpoint, the findings suggest that ESG disclosure has the potential to enhance firm value when accompanied by regulatory clarity, consistent reporting standards, and strong enforcement mechanisms.

For economic policymakers, these insights offer important implications. The variation in ESG outcomes across regions and sectors indicates that universal ESG mandates may not be equally effective. Instead, context-sensitive policies that account for institutional maturity, industry characteristics, and stakeholder expectations are likely to yield better outcomes (Buehrer et al., 2021). Moreover, to prevent the dilution of ESG credibility through greenwashing, governments should support independent assurance systems and third-party verification for ESG reporting practices. In conclusion, this review affirms that ESG disclosure can be a strategic asset in driving corporate value, but its effectiveness is contingent upon the quality, consistency, and authenticity of reporting, as well as the strength of the surrounding institutional environment. For ESG to deliver its full economic and social value, it must be treated not as a marketing tool, but as an integral part of corporate governance and public policy.

4. Conclusion

This systematic literature review concludes that ESG disclosure plays a significant role in enhancing corporate value, especially when implemented transparently and consistently. The majority of reviewed studies show a positive correlation between ESG transparency and financial performance indicators such as Tobin's Q, ROA, and market capitalization, primarily due to increased investor trust, improved reputation, and reduced information asymmetry. However, the relationship is not uniform, as contextual factors such as industry characteristics, geographic location, and the maturity of regulatory frameworks affect the strength and direction of ESG's impact. While companies in regions with well-established ESG standards tend to benefit more, firms in emerging markets often face challenges due to weaker institutional environments. Moreover, superficial or misleading ESG reporting (i.e., greenwashing) can backfire, damaging trust and firm value. These findings underscore the need for credible, high-quality ESG communication supported by robust regulations, third-party assurance, and alignment with stakeholder interests. Ultimately, ESG disclosure should not be viewed as a branding strategy but as a fundamental aspect of sustainable corporate governance and economic policy.

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