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From Scores to Impact: A Literature Review on ESG and Global Sustainability Drivers

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ABSTRACT: Environmental, Social, and Governance (ESG) has evolved from a scoring system into a strategic tool critical to global sustainability. This study examines the transformation of ESG by focusing on score evaluation, its impact on financial performance and environmental sustainability, implementation challenges, as well as the role of technology and holistic approaches. Findings reveal that strong ESG performance enhances financial stability, attracts investments, and bolsters corporate resilience against external risks. However, challenges such as greenwashing, pillar disparities, and reporting harmonization gaps remain significant barriers. By integrating advanced technologies like machine learning and blockchain and adopting holistic approaches that consider social, environmental, and financial values, ESG can serve as a key driver of global sustainability. This study provides valuable insights into the role of ESG as a strategic tool for fostering a greener, more inclusive, and sustainable economy.

KEYWORDS: ESG, sustainability, greenwashing, green technology, score evaluation

I. INTRODUCTION

In the evolving landscape of corporate sustainability, Environmental, Social, and Governance (ESG) metrics have become essential tools for assessing a company's impact and long-term resilience. Initially designed to provide standardized evaluations of corporate sustainability performance, these metrics are increasingly seen as more than just scores. They represent critical drivers of organizational impact, shaping the way companies engage with the environment, society, and governance frameworks (Ferjančič et al., 2024; Xue et al., 2023).

The global push for sustainable development, exemplified by commitments such as the United Nations Sustainable Development Goals (SDGs), has positioned ESG as the cornerstone of corporate responsibility and strategic planning. A company's ESG performance significantly contributes to achieving the SDGs. Studies show that companies with strong ESG performance are more likely to meet SDG targets, particularly in the social and environmental pillars (Radu et al., 2023; Sarkar et al., 2023; Khaled et al., 2021). This shift is particularly evident in sectors where ESG scores influence not only investor decisions but also regulatory compliance. For example, frameworks like the European Union's Sustainable Finance Disclosure Regulation (SFDR) have accelerated corporate transparency and accountability, while investors demand greater consistency in ESG reporting and methodology (Cruciani & Santagiustina, 2023). Regulations like SFDR aim to enhance the reliability and comparability of ESG scores (Gebhardt et al., 2023; Malecki, 2023). These regulations push companies to be more transparent in their ESG disclosures, ultimately influencing institutional investment decisions. Research shows that transparent ESG disclosures can reduce a company's financial risk by improving investor perceptions of corporate stability and responsibility (Atif & Alam, 2024; Pulino et al., 2022). Transparency in ESG reporting also helps reduce information asymmetry between companies and investors, which, in turn, can reduce IPO underpricing (Ferri et al., 2023).

Despite these advancements, significant challenges remain, including the lack of standardization in ESG rating systems and the prevalence of "greenwashing," where companies exaggerate their ESG achievements without delivering tangible results and may not genuinely commit to climate action despite having high ESG ratings (Xue et al., 2023; Treepongkaruna et al., 2024). Additionally, larger companies tend to have higher ESG scores as they have more resources to provide comprehensive ESG data, alongside other challenges such as inconsistent terminology, the volume of data to be analyzed, and heterogeneous assessment standards (Drempetic et al., 2019; Jinga, 2022). This raises questions about the fairness of ESG assessments, as smaller companies may not have the same capacity for detailed ESG reporting.

The financial impact of adopting ESG has also garnered significant attention. Companies with strong ESG practices have shown greater resilience during crises, such as the COVID-19 pandemic, maintaining operational stability and outperforming their peers in terms of financial performance (Xue et al., 2023; Subramaniam et al., 2024). This resilience is driven by factors such as better governance, enhanced stakeholder trust, and proactive risk management strategies. Furthermore, the environmental dimension of ESG, particularly its focus on reducing carbon footprints and improving resource efficiency, plays a vital role in mitigating climate change and addressing biodiversity loss (Tillu et al., 2024; Subramaniam et al., 2024).

However, the journey from ESG scores to measurable impact remains complex. Regional and sectoral differences in ESG implementation reveal significant gaps. While developed markets often lead in ESG adoption, emerging economies face unique challenges, including infrastructure limitations and inconsistent regulatory frameworks (Gupta & Chaundhary, 2023; Singhania & Saini, 2021; Ting et al., 2020). Bezerra et al. (2024) mention that ESG implementation in developing countries is often hindered by the lack of standardized performance indicators, clear regulatory guidance, and organizational resistance. For instance, India's automotive sector is making strides in sustainable practices but struggles to integrate ESG principles into the broader ecosystem (Tillu et al., 2024). Additionally, questions about the effectiveness of ESG ratings in driving real-world impact have sparked debates among academics and practitioners, highlighting the need for further investigation into the methodologies and real-world outcomes of ESG frameworks (Cruciani & Santagiustina, 2023; Fiorillo & Santilli, 2024).

This review aims to bridge the gap between ESG scores and their real-world impact by critically synthesizing the existing literature. The review explores how ESG metrics affect corporate practices, financial performance, and sustainability outcomes across various industries and regions. By identifying key drivers and emerging trends, this study provides actionable insights into the evolving role of ESG as a transformative force in global sustainability. Thus, this review seeks to illuminate the pathways through which ESG metrics can move beyond mere scores to become catalysts for meaningful change.

II. THEORETICAL REVIEW

a. Stakeholder Theory

The Stakeholder Theory, developed by Freeman in 1984, focuses on the relationships between a company and its stakeholders, such as investors, customers, employees, suppliers, society, and government. In the context of ESG, this theory emphasizes that companies should consider the needs and interests of all stakeholders when making strategic decisions. It is not solely focused on financial profit for shareholders but also on the social and environmental impacts of the company's activities.

Companies that adopt this approach in implementing ESG tend to be more successful in building better relationships with their various stakeholder groups. This enhances trust and supports the achievement of long-term sustainability goals. In this framework, ESG is not only seen as a tool for compliance or obtaining good scores but as a means to create long-term value by considering the well-being of all stakeholders (Freeman, 1984).

This theory emphasizes that companies have a responsibility to create value not only for shareholders but also for other stakeholders, including society, the environment, and employees. The implementation of ESG metrics is a tangible manifestation of this theory, where a company's environmental, social, and governance performance is measured to assess its impact on various stakeholders (Cruciani & Santagiustina, 2023).

b. Triple Bottom Line (TBL)

The Triple Bottom Line (TBL) is a framework introduced by Elkington in 1994 to assess a company's sustainability based on three dimensions: Profit, People, and Planet. The Profit dimension refers to the financial success and economic performance of the company; People refers to the social impact and relationships built with communities and employees; while Planet refers to the company's efforts in maintaining environmental sustainability.

TBL helps companies measure performance not only in economic aspects but also in social and environmental dimensions. In the context of ESG, TBL encourages companies to integrate sustainability principles that include managing social and environmental impacts, which can help the company achieve long-term goals. The TBL approach becomes relevant when companies strive to improve their ESG scores by balancing these three pillars and recognizing that true success is not only measured by financial performance but also by positive social and environmental impacts.

This concept highlights that sustainability should be understood through three main pillars: economic, social, and environmental. In the context of ESG, TBL serves as a relevant framework because ESG metrics provide a comprehensive view of how companies contribute to sustainability, not just through profit achievement but also through their impact on the environment and society (Tillu et al., 2024).

c. Legitimacy Theory

This theory posits that companies seek legitimacy from society by adopting practices that align with social values and norms. ESG serves as a tool that enables companies to demonstrate their commitment to sustainability and social responsibility, which can ultimately strengthen their legitimacy in the eyes of the public (Xue et al., 2023).

Legitimacy Theory focuses on how companies strive to gain social legitimacy by implementing practices that are accepted and recognized by society, and how they manage public perceptions of their activities and performance. In the context of ESG, this theory suggests that companies must manage relationships with stakeholders to ensure they are seen as legitimate and responsible entities in social and environmental matters.

Companies adopting an ESG approach often use sustainability reports as a means to gain legitimacy, communicating their positive impact on the environment, society, and governance. These reports often serve as tools to enhance the company's image and convince stakeholders of the company’s seriousness in fulfilling its social and environmental responsibilities. Greenwashing, or the manipulation of ESG-related information, can be viewed as an attempt by companies to maintain legitimacy in an inauthentic way, which can ultimately damage their reputation and credibility (Suchman, 1995).

d. Resource-Based View (RBV)

The Resource-Based View (RBV) focuses on how a company's internal resources and capabilities can provide a sustainable competitive advantage. In the context of ESG, RBV highlights the importance of resources that support sustainability initiatives, such as environmentally friendly technological innovations, employees with skills in sustainability management, and organizational structures that support ESG-based decision-making.

Companies with strong internal resources and capabilities related to ESG—such as technological capacity to reduce carbon emissions or the ability to adapt to environmental policies—are more likely to implement more effective sustainability policies and improve their ESG performance. This approach also leads to strengthening the company’s competitiveness in a market that increasingly prioritizes ESG factors, such as investors and consumers who value sustainability (Barney, 1991).

This perspective emphasizes the importance of a company’s internal resources in achieving a sustainable competitive advantage. In the context of ESG, adopting sustainability practices can enhance intangible assets such as reputation and employee loyalty, which ultimately strengthen the company's competitiveness (Subramaniam et al., 2024).

III. METHODOLOGY

This study employs a literature review methodology that allows for an in-depth exploration of various perspectives and sources related to the topic of Environmental, Social, and Governance (ESG). Unlike a Systematic Literature Review (SLR), which follows strict inclusion and exclusion criteria, this approach is more flexible, enabling the inclusion of various types of academic literature, industry reports, and grey literature sources that are relevant to the topic. The primary focus of this research is to analyze the evolution of ESG metrics from mere performance scores to drivers of real-world impact, considering the different methodologies, findings, and challenges present in the field.

The literature search was conducted through the Scopus academic database. Keywords used include "ESG metrics," "corporate sustainability," "sustainable investment," "ESG scores," and "global sustainability." To broaden the scope, Boolean operators such as AND, OR, and NOT were also used. The selected literature includes articles published between 2010 and 2024 in English, as well as literature discussing the relationship between ESG metrics and sustainability outcomes.

Inclusion criteria for this review focused on studies that addressed the measurement of ESG metrics, their impact on financial performance, and their contribution to social and environmental outcomes. Research that only discussed Corporate Social Responsibility (CSR) without explicitly referencing the ESG framework or lacking strong theoretical and empirical foundations was excluded from this review.

The data extracted from the literature includes the methodologies used for ESG measurement, such as econometric analysis, text analysis, and the use of technologies like machine learning. Additionally, this review explores the relationship between ESG performance and corporate resilience, including case studies from the COVID-19 pandemic, as well as variations in ESG adoption across different sectors and regions, particularly in emerging markets like India.

Data analysis was conducted thematically to identify patterns, debates, and gaps in the existing literature. Key themes identified include ESG assessment methodologies, the financial and social impacts of ESG performance, and emerging trends such as the integration of artificial intelligence (AI) and challenges such as greenwashing. To ensure the quality of the literature reviewed, sources used primarily consisted of peer-reviewed journals and credible industry reports, with a focus on relevance, validity, and the robustness of the methodologies employed. This methodology is designed to provide a comprehensive review of how ESG metrics can evolve from simple scores to become key drivers of global sustainability.

IV. RESULTS

Research on Environmental, Social, and Governance (ESG) has advanced significantly, with various themes reflecting the complexity and importance of ESG implementation in the business world. An analysis of the literature reveals the distribution of the main themes, providing in-depth insights into trends, focus areas, and contributions of research in this field. The emerging themes analysis is presented in Table 1 below.

Table 1. Emerging Themes in ESG Literature Analysis

Theme	Frequency of Occurrence	Percentage (%)
Textual Analysis of ESG Disclosures	8	9.3
Impact of ESG on Financial Performance	12	13.95
ESG and Corporate Resilience	10	11.63
ESG Rating and Reporting Challenges	9	10.47
Machine Learning and Technology in ESG Evaluation	7	8.14
Sustainability in Specific Sectors (e.g., Automotive, Mining)	11	12.79
Greenwashing and ESG Disparities	6	6.98
ESG in Governance and Ethical Leadership	8	9.3
Circular Economy and ESG Integration	5	5.81
ESG Investment Strategies and Market Volatility	10	11.63

Source: Mapping of articles, data processed 2024

Based on Table 1, one of the significant themes is "Textual Analysis of ESG Disclosures," which accounts for 9.3% of the total literature. Research in this theme focuses on the text analysis of corporate sustainability reports to evaluate the transparency and consistency of ESG disclosures. Findings indicate that many companies face challenges in providing credible and informative data, leading to gaps in decision-making by investors and other stakeholders.

The most dominant theme, comprising 13.95% of the literature, is the "Impact of ESG on Financial Performance." Studies in this theme highlight the relationship between ESG performance and corporate financial outcomes. These studies consistently show that companies with strong ESG practices tend to be more attractive to investors, have lower risks, and are able to improve their financial performance, especially in the long term.

Next, the theme "ESG and Corporate Resilience" contributes 11.63% of the total literature. This theme highlights the role of ESG in enhancing corporate resilience against external risks, such as regulatory changes, environmental crises, and market volatility. Research indicates that companies with high ESG scores are better able to withstand uncertain situations, such as the COVID-19 pandemic, compared to companies that do not prioritize ESG.

"ESG Rating and Reporting Challenges," which comprises 10.47% of the literature, focuses on the challenges in harmonizing ESG reporting and ratings. Differences in assessment criteria between rating agencies like MSCI and Sustainalytics pose a significant barrier for investors seeking clarity and consistency in ESG measurements. Additionally, the lack of global standards in ESG reporting exacerbates the situation, making it difficult for companies to build their credibility.

Another theme, "Machine Learning and Technology in ESG Evaluation" (8.14%), highlights technological advancements in ESG evaluation. Technologies such as machine learning enable more accurate and efficient analysis of ESG data, including identifying hidden risks and sustainability opportunities. However, this theme also underscores challenges in ensuring the quality and consistency of data used by such algorithms.

This analysis shows that ESG research focuses on various aspects, ranging from disclosure transparency, the relationship with financial performance, to the role of technology. While significant progress has been made, challenges such as harmonizing reporting and the risk of greenwashing still require further attention. Future studies are expected to explore solutions to address these challenges while strengthening the relevance of ESG in driving global sustainability.

V. DISCUSSION

The transformation of Environmental, Social, and Governance (ESG) from a mere scoring system into a driver of global sustainability reflects a fundamental shift in how companies manage social, environmental, and governance responsibilities. The importance of applying ESG principles in the business world is gaining increasing attention, not just as a tool for regulatory compliance, but also as a driver of global sustainability. ESG now serves more than just as an indicator of a company's performance in social, environmental, and governance aspects; it has evolved into a strategic framework that significantly influences corporate

performance, economic sustainability, and investment attractiveness. In this context, the transformation of ESG should not only be seen as a result of a growing understanding of sustainability concepts but also as a product of broader management theories that can provide deeper insights into how ESG can shape the future of business and the global economy.

One primary reason why ESG is becoming more relevant is its role in supporting a company's economic sustainability. Research by Lin (2024) shows that good ESG performance can improve the Sustainable Growth Rate (SGR), reflecting financial stability that enables companies to grow without relying heavily on external financing. This perspective is closely related to Stakeholder Theory, which emphasizes the importance of considering the interests of various stakeholders in company management. Stakeholder Theory, introduced by Freeman (1984), argues that companies should consider not only the interests of shareholders but also those of customers, employees, society, and the environment in their strategic decisions. In this regard, ESG becomes a means for companies to meet the demands of their stakeholders, who increasingly expect businesses to act in socially and environmentally responsible ways.

Within the framework of Stakeholder Theory, economic sustainability is not only measured through traditional financial indicators but also by assessing how a company maintains healthy relationships with its stakeholders. When companies prioritize the social and governance pillars in their ESG policies, they are more likely to manage social and reputational risks that could harm long-term stability. This can be seen in companies that integrate ESG into their business models, where they not only focus on economic aspects but also provide broader social and environmental benefits. According to Lin (2024), companies that successfully integrate ESG principles into their strategies tend to have better sustainability, not only in financial terms but also in reputation and long-term relationships with stakeholders.

However, one of the challenges companies often face in implementing ESG is the imbalance among the ESG pillars themselves. Lin (2024) also notes that focusing too much on the environmental pillar can hinder a company's potential for economic growth. For example, companies that make significant investments in carbon footprint reduction may face financial challenges if these efforts are not balanced with social and governance initiatives. Therefore, it is essential for companies to balance all three ESG pillars according to the expectations of various stakeholders to ensure that none of them compromises financial stability and corporate sustainability.

Another major obstacle in ESG implementation is the imbalance in disclosure and reporting. Many companies disclose their ESG performance but do not always do so consistently or transparently across the three ESG pillars. Research by Fuente and Velasco (2024) shows that the imbalance between the ESG pillars often creates perceptions of greenwashing, where companies pretend to care more about the environment than they actually do. Discrepancies between reported ESG scores and actual corporate practices worsen the credibility of sustainability reports and damage stakeholder trust. This highlights the urgent need for stricter and more transparent reporting standards.

This is where the Triple Bottom Line (TBL) becomes highly relevant. TBL, developed by Elkington (1994), proposes that companies should not only pursue financial profits but also consider social (people) and environmental (planet) impacts. Within the TBL framework, companies that fully adopt ESG will evaluate their performance based on all three pillars simultaneously. TBL emphasizes that a company's sustainability should be measured holistically, considering not only financial performance but also contributions to society and the planet. Therefore, the imbalance in ESG disclosures in many companies indicates the need for broader adoption of the TBL principle, which creates a balance between profit, people, and the planet.

By applying TBL, companies can design ESG policies that not only meet regulatory or investor demands but also address the needs and expectations of society and protect the environment for future generations. TBL also helps companies assess their long-term sustainability by avoiding greenwashing and providing more transparent and reliable information to stakeholders.

In addition to its role in economic sustainability and disclosure challenges, ESG also demonstrates its relevance in supporting the global transition to a low-carbon economy. Liu et al. (2024) found that good ESG performance can mobilize investments toward low-carbon technologies, strengthening companies' roles in climate change mitigation. In this context, Legitimacy Theory becomes highly relevant. Legitimacy Theory argues that companies seek to gain and maintain social legitimacy through compliance with values accepted by society and regulations. In the context of ESG, companies committed to sustainability principles, especially those related to carbon footprint reduction, demonstrate compliance with social expectations that increasingly prioritize environmental sustainability.

Companies that can prove their commitment to reducing carbon emissions and investing in green technologies not only improve their reputation among stakeholders but also gain legitimacy from society and regulators. This is crucial, as social and regulatory legitimacy becomes key to the long-term survival of companies in a world that is increasingly focused on sustainability. In this sense, ESG serves not only as an evaluation tool but also as a strategy for maintaining a company's social legitimacy amidst growing global demands on climate change issues.

A holistic approach to ESG also becomes an important focus in this literature review. Talan et al. (2024) proposed a Holistic Value Addition (HVA) framework to integrate ESG into creating value for all stakeholders. This framework encourages companies to not only pursue ESG scores but also create significant social and environmental impacts. In this context, the Resource-Based View (RBV) provides an additional important perspective. RBV suggests that a company's internal resources and capabilities, such as green technologies, sustainability expertise, and a corporate culture that supports social and environmental responsibility, can become sources of sustainable competitive advantage. Fiorillo and Santilli (2024) show that companies with diversified ownership structures, especially those supported by shareholders committed to ESG, tend to have better sustainability performance.

From an RBV perspective, integrating ESG into a company’s strategy is not only about achieving ESG scores but also about developing and utilizing internal resources that can enhance the company's long-term sustainability. These resources may include technology, corporate culture, and managerial capabilities to implement effective sustainability policies. Thus, companies that integrate ESG into every operational aspect—with strong resource support—will be better positioned to compete in a market that increasingly prioritizes sustainability principles.

ESG is no longer just an evaluation tool for a company's performance in social, environmental, and governance areas. It has evolved into a driving force in global sustainability strategies, involving a holistic approach to balancing profit, people, and the planet. Management theories such as Stakeholder Theory, Triple Bottom Line, Legitimacy Theory, and Resource-Based View provide diverse perspectives on how ESG can be effectively applied to create value for both companies and society at large. The integration of ESG into strategic management can support economic sustainability, enhance social legitimacy, and drive sustainable innovation through the utilization of internal resources. Thus, the transformation of ESG goes beyond being a score or performance indicator; it becomes a factor defining the future of business in a more responsible and sustainable world.

VI. CONCLUSION

This study explores the transformation of the Environmental, Social, and Governance (ESG) framework from a mere scoring system to a strategic tool for supporting global sustainability. The findings indicate that ESG has significant potential to drive sustainable economic growth, enhance corporate financial performance, and mitigate social and environmental risks. However, the implementation of ESG is not without challenges, including greenwashing, disparities among the ESG pillars, and gaps in reporting harmonization.

One key finding is that good ESG performance not only supports financial stability but also strengthens a company's capacity to endure in volatile market conditions. The positive relationship between ESG and environmental sustainability also underscores the importance of transitioning to low-carbon technologies, supported by climate finance policies. Additionally, the use of technologies such as machine learning and blockchain has paved the way for more transparent and accurate ESG evaluation and reporting, although data quality remains a key challenge.

A holistic approach has emerged as a key strategy to ensure that ESG creates real impact for all stakeholders. Integrating social, environmental, and financial values into corporate strategies can bridge the gap between ESG scores and the tangible benefits felt by society. However, to achieve optimal results, global reporting standards that are uniform and enhanced institutional capacity to mitigate the risk of greenwashing are necessary.

In conclusion, ESG has evolved into a crucial pillar of corporate sustainability strategies, but its success requires collaboration between companies, regulators, and other stakeholders. Further research is needed to deepen the understanding of sector-specific ESG impacts, develop more measurable evaluation methodologies, and ensure that ESG truly becomes an effective driver of global sustainability. With these steps, ESG can become a central tool in building a greener, more inclusive, and sustainable economy in the future.

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