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Understanding Sustainability Reporting as Communication

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Abstract

Background: Companies and organizations nowadays communicate their performance with various stakeholders through sustainability reporting. However, the reporting is under the influence of several factors, such as regulations, everyday actions, leadership practices, and cultural context. Due to this, scientific research has outlined significant variations in findings on disclosure quality, completeness, comparability, and assurance practices of sustainability reporting and its role in decision-making. In this line, frameworks such as GRI, integrated reporting, SDG disclosure, ESG scoring methodologies, and assurance processes help in standardizing reporting practices. Despite this, when companies communicate governance structures, external scrutiny, and institutional environment, research shows that there are differences between sustainability reporting used just as a symbolic and formal communication, and on the other hand, used as a meaningful communication.

Objectives: In this study, we explore the most important theories that define sustainability reporting as a communication tool. We also investigate the key aspects of sustainability reporting, such as quality, assurance, disclosure scope, and governance, and their influence on credibility, stakeholder trust, and legitimacy of organisations. We try to answer the following research questions:

RQ 1: Which theories most effectively explain the role of sustainability reporting in communication?

RQ 2: What constructs and indicators are used to assess the quality and communicative effectiveness of sustainability reports?

RQ 3: How do management approaches, assurance practices, institutional pressures, and cultural contexts shape the credibility and trustworthiness of sustainability reporting?

Methodology: To answer the research questions, we conducted a systematic literature review. We applied the PRISMA protocol to 143 Scopus-indexed publications from 2010 to 2025. The studies that are part of the sample examine SDG disclosure, ESG scoring models, reporting quality indices, assurance processes, governance drivers, reporting frameworks, linguistic choices, greenwashing risks, and cultural influences on disclosure patterns. During the review process, we extracted the main theories, communication-

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related constructs, contexts, and methodologies used in these studies.

Findings: Based on the review, we can conclude that sustainability reporting is used as a communication system influenced by institutional expectations, regulatory frameworks, governance characteristics, and strategic signalling behavior. Regarding the theories, Institutional Theory is identified as a prominent one, explaining why organizations follow established norms and mandatory requirements. Further, Signaling Theory is used to explain how firms use disclosure to bridge information asymmetry. Agency Theory highlights the role of governance in shaping the credibility of reports. Further, constructs such as reporting quality, disclosure completeness, SDG and ESG indicator depth, tone and linguistic framing, assurance quality, governance diversity, and cultural influences are identified as crucial in evaluating how effectively sustainability reports transfer the message to the companies' stakeholders. Additionally, research shows that adoption of structured frameworks, external assurance, and integrated reporting enhances credibility and helps in addressing concerns about greenwashing. Nevertheless, variations across countries persist in terms of cultural norms, regulatory environments, and stakeholder expectations. Moreover, existing studies emphasize the importance of consistent materiality assessments, longitudinal evidence, and stronger assurance processes. Future research should focus on analysing the impact of digital communication formats, on examining the harmonization of emerging global reporting standards, and on exploring how signalling mechanisms influence stakeholder interpretation and trust.

Keywords: Sustainability reporting, communication, institutional theory, signaling theory, agency theory

JEL classification: M14, M31

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