LINKING ESG PERFORMANCE AND FINANCIAL RETURNS. A SYSTEMATIC REVIEW OF THE LITERATURE EVIDENCE: FOCUS ON THE AGRI-FOOD SECTOR

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Abstract

The socio-economic landscape has changed considerably over the last decade due to several phenomena such as globalization, the development of new technologies, and climate change.

This has emphasized the need to look at companies not only from an economic and financial point of view but also from a social and environmental point of view.

There has been a growing interest in recent years in the assessment of companies' performance from an environmental, social and governance (ESG) perspective, or towards ESG reporting.

Through ESG reporting, companies can be assessed not only from an economic-financial point of view but also from a social and environmental point of view, demonstrating greater awareness of the importance of responsible investment practices.

However, the growing interest in these issues has led to a very fragmented body of laws and new best practice rules, which has resulted in the loss of clarity in corporate communication (Balmin et al., 2023).

Today, ESG reporting is a widely recognized tool for assessing the financial performance of companies, in relation to the achievement of

sustainability objectives (Habermann & Fischer, 2023), while satisfying the need for clarity and transparency in the disclosure of company information to stakeholders.

ESG reporting has become even more prominent in association with the growing interest in climate change.

In fact, over the last decade, we have seen significant changes in the world's climate: from the increase in seasonal average temperatures caused by increased emissions of carbon dioxide and other climate-related gases into the atmosphere to extreme weather events such as strong heat waves, floods, and droughts.

These changes have had clear consequences for social welfare and, as a result, have aroused the interest of institutions, universities, and researchers.

From this perspective, the development of ESG reporting is the result of a long journey that began with the United Nations Climate Conference held in Copenhagen in 2009 and culminated in the International Integrated Reporting Council (IIRC), which defined the guidelines.

From this comes the desire to understand how companies integrate ESG reporting into governance practices and how it influences performance results, no longer understood only from an economic-financial point of view but also, and above all, from a social and environmental point of view.

This is even more interesting when one considers the agri-food sector.

Indeed, the agri-food sector is the economic sector most affected by climate change although, at the same time, it contributes to the intensification of the phenomenon through the release of large quantities of greenhouse gases into the atmosphere.

For this reason, the agri-food sector could be the main vehicle in achieving sustainability goals.

This work focuses on a systematic review of the literature to understand how companies acquire and use ESG knowledge.

This work aims to analyze the existing scientific landscape to understand the link between non-financial reporting and business performance.

The paper consists of four paragraphs: 1) an introduction and a brief historical tour that led to the development of ESG reporting, 2) a description of the research methodology and its results, 3) blind spots in the literature, and 4) the conclusions.

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