GOVERNANCE AND SUSTAINABILITY: A SYSTEMATIC REVIEW OF THE LINK BETWEEN CORPORATE GOVERNANCE AND ESG PERFORMANCE

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Abstract

This study offers a systematic literature review of the link between corporate governance and environmental, social, and governance (ESG) performance, focusing on contributions from the Italian academic context. It maps the main thematic clusters and highlights critical theoretical and methodological gaps. Governance is analyzed both as a mechanism of control and a strategic enabler of sustainable practices. The study concludes with recommendations for future research, policy design, and managerial implementation.

1. INTRODUCTION

In recent years, the assessment of the environmental, social, and institutional impact of companies has become a central issue in both academic and regulatory debates, surpassing the traditional focus solely on economic and financial performance. As a result, the very concept of sustainability has evolved over time, acquiring not only ethical but also strategic significance. Environmental, social, and governance (ESG) indicators have thus emerged as fundamental dimensions for evaluating organizational resilience and corporate responsibility.

In particular, the governance component has assumed an increasingly pivotal role in mediating and integrating environmental and social issues into decision-making processes. It functions as a hinge between strategic vision, operational management, and reporting. Corporate governance — understood as the set of institutional, relational, and operational mechanisms responsible for the direction and control of companies — today constitutes a strategic dimension for embedding sustainability concerns into business processes. Its influence on stakeholder relations, the quality of non-financial reporting, and the orientation of managerial choices raises significant questions about its dual role as both a control mechanism and an enabling factor for long-term value creation.

Despite a proliferation of studies examining the governance — sustainability nexus, a structured and cumulative synthesis of empirical evidence is still lacking. The academic landscape remains fragmented: contributions span various disciplines — from business economics to accounting, finance, and organizational theory — adopting definitions, methods, and analytical approaches that are often not directly comparable. Moreover, the growing interest in ESG factors has outpaced the development of robust theoretical frameworks capable of explaining their interaction with governance, leading to a fragmented literature in which the adoption of ESG factors is frequently described but rarely interpreted with solid conceptual tools. This imbalance is also reflected in the predominantly descriptive nature of existing studies, which often fail to capture causal dynamics or transformative implications.

This study aims to contribute to the theoretical and methodological consolidation of the field through a systematic literature review (SLR), by mapping the main thematic trajectories, identifying unresolved questions, and outlining future research directions.

2. METHODOLOGY

The objectives of this study are threefold: to critically analyze the state of the art of scientific literature on the link between corporate governance and ESG performance, identifying the thematic clusters; to detect the main theoretical and methodological gaps; and to provide a structured basis for future research, proposing theoretical, practical and policy implications.

The central research question is:

RQ: How has the scientific literature explored the relationship between corporate governance and ESG performance, and what are the main theoretical, methodological and applicative directions that have emerged in recent studies?

To answer this question, the literature review was conducted through targeted searches in the Scopus and Web of Science (WOS) databases, using structured and equivalent queries. The selection was limited to review articles published between 2015 and 2025 by authors affiliated with Italian institutions in the field of business, economics and finance. This focus makes it possible to valorize national academic production and offer a local perspective often underrepresented in international literature.

The search yielded 47 unique articles (40 from Scopus and 9 from WOS, excluding duplicates), which were analyzed using the bibliometric software MySLR. Following manual screening, only 15 articles were considered directly relevant to the specific research focus, and these were used for the subsequent thematic and conceptual analysis.

3. RESULTS

The co-occurrence map highlights three main thematic clusters. The first, in red, focuses on the methodological evolution of the field and the growing diffusion of studies based on SLRs and bibliometric approaches, which play a strategic role in consolidating knowledge on the link between corporate governance and sustainability. The study by Bettinelli et al. (2024) reflects on governance in underexplored contexts like family businesses, while Cuomo et al. (2016) map early connections between governance and corporate social responsibility. Forliano et al. (2025) examine greenwashing as a narrative shaped by governance, and Turzo et al. (2022) highlight the structural difficulties in integrating ESG into accounting systems. Martiny et al. (2024) recognize governance as an enabling or constraining factor for ESG practices. The second cluster, in green, is centered on sustainability reporting and non-financial disclosure, showing how governance supports the alignment with standards such as the Global Reporting Initiative and enhances ESG information quality through structures like committees and independent directors (Turzo et al., 2022; Vitolla et al., 2020). Board diversity (Zampone et al., 2024) and digital transformation (Agostino et al., 2022) also emerge as crucial elements, with governance ensuring coherence between innovation and principles of transparency and accountability. The third cluster, in blue, explores how ESG practices affect corporate performance when integrated into governance mechanisms. Guerrero-Villegas et al. (2019) and Testa et al. (2018) confirm that alignment between ESG and governance improves value creation and investor confidence. In banking, Gangi et al. (2019) link sustainable governance to better risk management, while Tibiletti et al. (2021) note that during crises like COVID-19, strong governance ensured consistent disclosure. Gill-de-Albornoz et al. (2025) emphasize the role of board characteristics in determining the reliability of ESG communication, and Alam and

Costa (2025) propose a theoretical model showing how effective ESG strategies depend on governance's ability to integrate sustainability into risk management and long-term value creation. Governance thus emerges as both a condition and a determinant of the effectiveness of ESG practices.

4. DISCUSSION AND IMPLICATIONS

The literature review has revealed a growing interest in the relationship between corporate governance and ESG performance, but also several theoretical and methodological limitations that hinder the coherence of the field. One of the main issues is theoretical fragmentation: while many studies refer to frameworks such as agency or stakeholder theory, they rarely integrate these approaches to explain the interaction between governance and ESG. Governance is often treated as a technical variable rather than a strategic component of sustainability.

From a methodological perspective, most contributions adopt descriptive or correlational approaches, typically cross-sectional, which limit the ability to draw robust causal inferences. Longitudinal or quasi-experimental designs remain rare, though necessary to assess the actual impact of governance transformations on ESG performance.

Another limitation is the lack of attention to small and medium-sized enterprises (SMEs) and family businesses, which represent a significant part of the European economic system. Much of the literature focuses on large, listed firms, neglecting governance dynamics in less formalized contexts. A further gap concerns the disconnection between disclosure quality and real ESG impact: many studies focus on the amount or format of information disclosed, but not on its influence on behavior, perception, or long-term outcomes. Without shared indicators, greenwashing risks remain high, and ESG claims lack credibility.

International comparisons are also limited: most studies are nationally bound — often to the Italian context — and do not adequately consider how institutional or cultural differences affect the governance-sustainability link. This is especially critical in a globalized market, where the effectiveness of ESG policies is influenced by local regulatory frameworks.

The findings offer theoretical, managerial and policy insights. Theoretically, they call for an integrated conceptual foundation, combining traditional and emerging approaches such as stewardship and institutional theories. Managerially, they emphasize that adopting ESG tools is not enough: governance must embed ESG into decisions and controls. From a policy standpoint, stronger regulatory guidance and support for SMEs are essential to promote credible and inclusive sustainable governance.

5. CONCLUSIONS AND FUTURE DIRECTIONS

Future research on the link between corporate governance and ESG performance should aim for a theoretical and methodological consolidation capable of addressing the gaps identified in this review. First, there is an urgent need to move beyond the predominantly descriptive approach that characterizes much of the existing literature. Longitudinal designs, quasi-experimental methods, and advanced causal analyses are needed to explore more robustly the effects of governance on ESG outcomes.

The observed theoretical fragmentation also highlights the need for more integrated conceptual models, capable of connecting traditional theories (agency, stakeholder) with emerging perspectives such as stewardship or institutional theories. This would allow for a deeper understanding of the complex dynamics involved.

Another promising direction concerns the expansion of the empirical focus. Current literature tends to favor large, listed companies, neglecting SMEs, family firms and less formalized organizational contexts, which play a central role in many economies, particularly in Italy. Studying how these actors address ESG challenges could offer significant theoretical and practical insights.

Greater attention should also be paid to cross-country comparisons to assess how institutional and cultural factors shape the governance-ESG relationship. Finally, the effectiveness of recent European reforms in non-financial reporting and sustainability standards should be evaluated, especially regarding their impact on governance structures and performance.

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