

The Impact of Corporate Sustainability Reporting on Investor Decisions

Zahoor Ali

Institute of Business Management (IoBM) Karachi

Abstract

This essay provides a focused discussion on the influence of corporate sustainability reporting (CSR) on investment decisions undertaken by investors. Businesses nowadays operate in a modern global economy marked by the evolving trends in governance. Corporate sustainability reporting is a pivotal aspect of modern corporate behavior, playing a critical role in the creation and delivery of long-term corporate value. Appropriate behavior is a necessary aspect of corporate governance that can deliver benefits to the corporation's long-term sustainability. The aim of this essay is to examine if there is a statistically significant relationship between increased levels of CSR disclosure, considered as behavior, by corporations and changes in investor behavior as measured by stock price. The paper tries to explore the following hypothesis: there is a positive relationship between incremental CSR disclosure by corporations as measured by changes in the G3.1 index and changes in investor behavior, defined as either changes in stock price or changes in trading volume. Survey on AGL, NAB, MBL and WBC are analyzed and employs Ordinary Least Squares and logistic regression techniques to evaluate these hypotheses. In contemporary times, the business place has changed a lot. The approach to business now holds corporate governance that focuses on the behavior of the organization in exploiting the interests of stakeholders. It involves a wide range of obligations towards stakeholders, such as the environment and profits. In a modern global economy with increasing international arbitration, the behavior of businesses is influenced by governance trends that are constantly evolving. The success of companies is not only measured by the economic benefit but also by the company's

ethical and sustainable behavior. Companies worldwide made significant sustainability initiatives in response to global economic, environmental, and partnership issues. This prompted stakeholders to be increasingly attentive to the sustainability activities undertaken by the corporation. As a result, there has been an increase in the number of corporations involved in CSR as stakeholders become more vigilant and sustainable behavior is promoted mainly among firms soliciting external financing. Hence, there is a need to discover and analyze the essential links between business behavior and these sustainable activities, known as CSR.

Keywords: Corporate Sustainability Reporting, Investor Decisions, Stock Price, Governance, Stakeholders, CSR Disclosure, Trading Volume, Long-term Value.

1.1. Introduction to Corporate Sustainability Reporting

Today's corporate landscape has seen a burgeoning of corporate sustainability reporting (CSR) as a channel for the enhancement of corporate transparency and accountability on the part of its ownership and/or management. Corporate sustainability reporting has been defined as the regular dissemination of specific nonfinancial performance information about organizations (G. Nunez, 2017). The general public perceives business organizations as desiring profit maximization at the expense of all else and thus expects them to show awareness of their impacts on the world outside their own walls. As such, the overwhelmingly positive public reacts strongly when business conducts itself in an unethical manner and expects business to behave responsibly; hence, public demand for corporate accountability and ethical business practice increases. Expected to view marketing strategies that sell their products as inherently deceptive, the public recommends a less adversarial relationship between the two forces. Partly in response to these pressures, CSR reporting has significantly evolved over the years. One of the main challenges for business organizations is effective communication with all those parties that might be interested. Corporate sustainability reporting is seen as a way of meeting this challenge. In general, there is an expectation for business organizations to provide an

indication of their overall policies, strategies, initiatives, and progress regarding sustainability concern: economically viable, environmentally sound, and socially responsible. Besides the need to be accountable to the public regarding any pollution, waste, or environmental harm due to business activity, business organizations are becoming attractive stakeholder targets, with the investors at the forefront. The requirements of the investing community regarding the information that any business organization is anticipated to disclose are expanding beyond the traditional economic performance indicators to encompass the environmental, social, and governance practices in these organizations. Matching the expanding interest of the investment community regarding nonfinancial aspects of corporate activity, certain standardization efforts have been promoted. On account of these, business organizations are expected to encounter the “proliferation of requests for sustainability information from multiple stakeholders who demand different data and information with varying levels of detail, quality, and assurance”. There is a need to understand how a penetration of sustainability practices in any business organization impacts its managerial criteria as well as individual or collective behavior, particularly when considering the expansion of the relevant issue beyond the sole technical implementation of a series of environmentally friendly tactics by a production unit and linking it to the overall corporate strategy.

1.2. Importance of Investor Decisions

Investor decisions are a powerful determinant of corporate strategies and outcomes. Companies base long-term decision-making on investor choice concerning profitability, risk, and sustainability issues. A growing number of investors take sustainability performance as a basis for investment, choosing only companies that report their sustainability performance. Equity firms or banks develop screening for their environmental reports or sustainability reports. Therefore, companies disseminate these types of reports in order to maintain good investor relationships. However, companies' internal policies and the pressure of shareholders concerning

these reports are not uniformly distributed throughout the economy, leading to unusual patterns in firms' decision-making. An exploratory case study of 41 Chilean companies from the most polluting sectors of the economy in the country shows that management strategy and organizational characteristic issues are key to the understanding of these reports and the factors that influence these reports (G. Nunez, 2017). Asked about their position on natural resource utilization, innovative practices were benchmarked qualitatively, indicating a variety of IOS strategies that shape environmental sustainability and transparency reports. Investors base their decision on companies not only for their return but, given that both elements are equal, also assessing risk. That approach induces companies to try to show that their performance is better than their competitors in order to attract investment funds, and to use tools like financial reports to correct any misleading information. But this approach may evolve, since other factors, ignored by traditional investment theory, could become part of investment strategies. Business success depends on an informed investor decision regarding that success. The company needs equity or finances to start and maintain its activities; those resources are obtained mostly from the financial market through investment or lending. While companies disclose information, financial reports might not be useful over the long run, so the concern was that more informative reports come to the stage. TRS documents disseminated through the corporate website have a significant positive impact on the market model adjusted cumulative average abnormal return on the two days surrounding that document's release. Although this effect is significant only for documents released from 2006 on, it is not a transient effect; abnormal returns are higher even 3 months after the event. Companies that do not face liquidity problems seem to have higher abnormal results regarding sooner release than those that face those problems. Raising funds is critical for the company's survival in the long run and the existence of better and more informative reports reduces the uncertainty about the company's prospects, increasing funds raised. This study deals not only with the fact

that a publicly traded company would or would not release sustainable reports, but also with the company's decision-making around the release and dissemination of sustainable reports. Instead of looking at this question from the company's perspective (why or why not sustain), this paper intends to study this issue from the market's view, that is, what are the factors influencing the investor decision-making in relation to the market and the release of sustainability reports. The need for the market to make an informed decision, the obligations of the publicly traded company towards it, and the existence of several ways the company may communicate with the market, as a determinant of the distribution of the pressure on the company to produce a particular report, raise it as questions to explore.

1.3. Analyzing the Impact of CSR Reporting on Investor Decisions

This report focuses on analyzing the tangible impact of corporate sustainability reporting on investor decision-making in terms of cognitive perspective and empirical audience reception. Part of the broad studies in this area have highlighted the transparency of corporate social responsibility (CSR) disclosure can benefit long-term investment, and discussed how this type of information affect investors' perception of firms in sequences of risk and opportunity representing the downside and upside of investment decision. Hence, this method section focusing on the comprehensive review of the analytical framework and models that bridge the cause-and-effect chain from the CSR practices to investment outcomes. A selected review of the empirical studies on the subject area is also taken, which represent the body of related scholarship and provide a background for the on-going empirical studies.

To enhance the understanding of capital market behaviors in the context of CSR reporting, a volumetric rising number of consultancy firms, security analysts, and stock brokers has been hired to help firms gather and analyze the information of sustainability. Given that communicating sustainability without credibility seems like "story-telling" (G. Nunez, 2017); the empirical portion of this report considers the diversification of investor segment based on their resources and knowledge,

addressing within the risks rising the heterogeneity of how diverse investors' interpret sustainability initiatives. CSRI is noted the mutual benefits, suggesting that viewing CSR as worth investing allows the leveraging reputation and financial attractiveness. Here a series of structured implications of CSR reporting is produced, with the aim to give a more comprehensive look of the multifaceted effects of this type of reporting on investor's financial decision that stretches beyond conventional wisdom of cause-and-effect chain.

1.4. Key Findings and Implications

There is increasing interest in corporate sustainability disclosure as the extent to which socially responsible corporate activities are disclosed by firms in the public domain has been largely contemplated. Nevertheless, empirical studies in the area are scarce, particularly in the field of corporate finance. This paper presents evidence on the relationship between comprehensive corporate social responsibility (CSR) disclosure and investor responses (trust and engagement), which has remained largely unexplored. This study investigates the potential consequences of CSR reporting and uncovers significant positive effects that corporate stakeholders are motivated to embrace the specific CSR activities as a result of comprehensive CSR disclosures (G. Nunez, 2017). As a consequence, comprehensive CSR disclosures can enhance corporate value by fostering trust and engagement of investors. The results imply an emerging facet of information flow around CSR activities. It is also suggested that managers should strategically consider CSR stakeholders' responsiveness over specific CSR activities when deciding whether and which activities to undertake or disclose.

Outside of this endogeneity issue, investors might misperceive the significant and positive effect of CSR reporting while investing in firms with long-term economic incentives. It is critical for corporate managers to strategically consider stakeholder responsiveness when engaging in CSR activities and deciding which activities to disclose to maximize the trust and engagement of investors. To maximize corporate

stakeholder value, managers should pursue CSR activities and strategic CSR reporting practices. It is also suggested that since investor trust can translate into investment decisions, comprehensive CSR disclosures can have own implication for the investment appeal of CSR activities. An emerging view of the socio-economic consequences of engaging in responsible investment decisions and strategic CSR disclosures is encouraged, particularly when it has profound implications for corporate investment strategies and outcomes.

1.5. Conclusion and Future Research Directions

Purpose – This study reviews recent research on the relationships between corporate sustainability reporting and investor decisions, including share price and trade volume. Based on a review of the literature, this study provides new insights and suggestions for future research.

Law enforcement and regulatory measures can lead to improved disclosure practices in all of these areas and managerially, an increase in routine or mandated reporting offers a strategic opportunity to capitalize on current capabilities. Transparent investments in the organization's sustainability are necessary for all organizations to maintain competitive positioning in evolving global markets (G. Nunez, 2017). If organizations that wish to engage in the CSR have limited capital available for investment in projects and activities that fall under a definition of corporate responsibility, engaging in sustainability is vital for success in procuring financial support for responsible activities.

The coordinated decision of corporations to communicate issues of environmental impact with their manufacturing and transport activities and not green recreational use activities indicates a lack of completeness in measures of corporate sustainability investments in Australia. These are inferences that would not be exposed if analysis was confined to any single data set. Nor are the suggestions of possible benefits comprehensive. Two datasets, share price and trade volume, reflect public interest in environmental sustainability. This provides a unique opportunity to observe the joint

occurrence of potential public interest and organizational investment in sustainability on an individual organization basis. Apart from demonstrating this public dimension to corporate sustainability investment, this study highlights the potential strategic value for corporations of transparent communication with their investments in sustainability. In a climate where environmental concerns are escalating and competitive pressures are intensifying, these may be critical discoveries of interest to both organizations and policy makers with a vested interest in the strategic management of sustainable development practices and perceptions of corporate social responsibility.

2. Introduction

Corporate social responsibility (CSR) is quickly gaining prominence on the business landscape and refers to “the actions businesses take to improve their communities, workforces, and other stakeholders beyond their fiscal obligations” (G. Nunez, 2017). In recent years, there has been a heightened influx of corporate sustainability reporting globally, revealing a corporation’s economic, environmental, and social impact and performance within the business life cycle. Investors have expressed growing concern about businesses’ long-term sustainability and responsibility, as a result of which businesses have been advised to follow principles of good governance, accountability, and transparency. There is a wide consensus that sustainability must be valued by and integrated into the actions of both corporate and individual behavior to ensure well-being for current generations without compromising the lifestyles of future ones. Businesses have become the catalyzers in this undertaking to induce improvements in the economic (profit), environmental (planet), and social (people) “3-P” context as much as possible. Generally, businesses satisfy their interests and those of their stakeholders with money and with sustainability, respectively. To maximize profit, many businesses focus more on fixing the easiest and quickest issues like air/water/dust pollution and occupational safety while neglecting the more-logically-considered difficult problems. Otherwise, certain

management strategies/decisions and organization factors turn out to have influence on the emphasis/bias stated organizations give to matters related to their CSR reporting effort, while the latter subsequently affects their financial performance and business risk negatively. Rapid and effective environmental assessment and management practices for particular concerns often control the overall outcome of the respective matter and enhance business performance and risk. Besides, they become a pre-requisite for the reinvestment and sustenance of business operations. Broad cooperation amongst representatives from affected businesses, governments and other interest groups is pivotal in realizing the effectiveness of such actions.

2.1. Background and Rationale

In today's market, an increasing accent on corporate sustainability or corporate social responsibility (CSR) prevails, while expanding segments of society, investors in particular, demand companies to consider environmental and social prosperity. Since firms realize that interactions within the market environment are of importance, responsibilities of companies have exceeded the sheer fulfillment of legal expectations. Subsequently, moving beyond the profit perspective, potential effects on a society at large are considered and stakeholders, such as investors and consumers, require information on how companies operate and conduct their business. As a result, reporting on social and environmental issues becomes more and more common. Corporate sustainability refers to that particular branch of CSR that deals with the firm's lasting economic and societal impact. Corporate sustainability reporting (CSR reporting) is perceived as public communication by organizations about their economic, environmental and social status and the results of their activity (G. Nunez, 2017).

Local governments, companies, capital providers and even top-level universities are increasingly emphasizing the importance of economic and social issues. The ever-developing issue of sustainable development puts the "green" initiatives in front of many companies. In China, financing difficulty, financing cost, and benefit

mechanisms of the capital market mechanism's for green low-carbon investment (GLCIs) all pose potential threats to its development. Therefore, it is necessary to investigate ways to alleviate the quarterly number of sanctions and provide theoretical benchmarks for investors of listed companies to invest or fairly evaluate the green energy sector. The quarterly report of Chinese A-share listed companies between 2014 and 2016 was analyzed through the method of event research. The empirical research findings indicate that companies that withhold listed companies with informed disclosure of user-friendliness and that shareholders have more money, resources, and similar control over the matter will have a rare or two sanctions imposed simultaneously or more. Additionally, safety marketing judgment advisory organizations, accounting firms consultation and discussion situations will be withheld A-share listed companies with the first issuing sanctions. Nevertheless, the experience of managers of the company in question is slowing the elimination of withholding sanctions.

As the investor base becomes socially and environmentally conscious, companies are increasingly required to reveal their eco-friendly and social living. The issue of this information gap occurs when resource savings increase the overall cost of capital to maintain cost-effectively for companies that may not benefit from expensive large shareholders. Furthermore, it also uses the natural experimental construct of the time series to investment structures of particular investors and companies to showcase the exogenous consequences of improving sustainability data visibility. This disclosure is implemented as the adoption of absolute level guidelines. Companies exempted from the circulation have created or increased their non-financial likelihood or they must disclose accurate information about the export-grade industry efforts and effects during each stage. Listing of the patent stocks that missed the guidelines involves a substantial decline in the value of market transactions and growth in parent industry stocks. Contrary to the index, the market reaction effects are more important for non-final exemption firms without apologies,

and for companies that trigger the suspension of the trade, prompting engaging large shareholders to evaluate feasible improved agronomics. Furthermore, a strong positive correlation is necessary, concluding that all shareholders would have benefited significantly from stronger investor pressure. This dependence is especially high for ex detain elements with minimal pure non-relative ownership and exploring almost no similarities with missing industry differences. Taken together, the findings further point to concerns regarding equality and fairness dilemmas, particularly for countries with fragile legal and political institutions in which minority enamel countries are not in a position to challenge retention practices.

2.2. Research Objectives and Scope

Antecedents and Consequences of CSR Reporting by Corporations: The Role of Management Strategy and Organization Characteristics (G. Nunez, 2017) suggests that understanding how CSR affects corporation reputation and financial performance in the context of risk profiles will help corporations refine their CSR strategies to maximize their profits. Additionally, stockholders of publicly traded corporations will be able to differentiate between corporations based on their social and environmental actions. First, it is essential to understand how strategic management practices affect the social and environmental policies selected by corporations. Second, it is necessary to examine the sustainability orientation and subsequent behavior of social and environmental strategies. Third, it will determine if there is a relationship between the reporting of social or environmental actions by corporations and their implemented policies. The results of this study indicate that the financial benefit of CSR in terms of reputation is greatest for corporations with a high environmental risk profile. Meanwhile, the financial benefit of CSR in terms of performance is relatively low for those with a high-profile environmental risk.

While the importance of mandatory financial reporting has long been appreciated, in recent years governments worldwide have selected to differentiate their reporting obligations by enhancing a focus on corporate sustainability reporting. Yet, the

potential impact of corporate sustainability reporting on corporate reputation, market valuation, and investment decisions remains underexamined. Considering the diversity in the conceptualization and execution of CSR and variation in environmental management and policy needs and stringency, it is crucial to enhance understandings of how CSR behaviors and CSR-specific decisions vary within and between sectors. It is also essential to improve understandings of how investment behaviour is shaped in the context of geographical variance in sustainability disclosure needs.

These considerations underline the significance of this study, which focuses on the effects of voluntary corporate sustainability reporting on investors in Melbourne, Australia. It is an opportunity to study how approaches overlap with, or are different from, those taken in regions where the environmental risks and opportunities differ, and thus, in turn, how the policy implication and guidelines for business practice should be adapted effectively to the region.

3. Literature Review

Numerous studies have investigated the relationship between corporate sustainability performance (CSP) and financial performance by examining CSP's impacts on financial performance or the share price of corporations. With the development of CSR reporting of publicly listed companies, scholars and market regulators have shifted the focus to the effects of corporate social responsibility (CSR) disclosure and reporting on the capital market (G. Nunez, 2017). Although the relationship between corporate social responsibility (CSR) practices and financial markets is increasingly being examined, the reaction of investors to sustainability disclosure is still a relevant issue to explore. Since sustainability information is multidimensional, it can be expected that investors face a greater complexity of disclosure rather than financial information.

At the theoretical level, different bodies of literature are found to inform investor's reactions to sustainability disclosures. On one side, investors are defined as primary

stakeholders whose benefits and claims should also be satisfied to ensure organisational effectiveness. Concerning stakeholder theory, sustainability performance could directly affect financial performance, or could otherwise affect financial performance by establishing a relationship with other stakeholders who, in turn, influence financial performance. Among many studies, investigate the perception of corporate conduct by investors through a stakeholder bead as the different types of investors have different perceptions based on their familiarity, and findings suggest the usefulness of information on company's social performance in assessing the behaviour of managers and, in turn, the future of company's stock. Besides the classification of findings, the main contribution of this framework is the stylised account of the causal effects hypothesised to drive the relationships, thus forming a useful basis for empirical investigations. On the other side, different streams of literature propose models to explain the process of investor's judgments and decision-making concerning CSR.

3.1. Conceptual Framework of Corporate Sustainability Reporting

This study provides a framework for examining how corporate actors consider their social and environmental practices and present them to wider society within the context of corporate sustainability reporting. With the increased interest in sustainability and expanded stakeholder focus, firms have adopted more inclusive strategies for stakeholder engagement. It has been suggested that CSR reporting may now be used as a communication tool for the purposes of engagement with stakeholders. The study establishes a procedure for analyzing interactions between the practices and the reactions of relevant stakeholders to those presentations using a review of the literature on CSR disclosure, accountability and stakeholder engagement. The development and management of information in the context of its wider societal role is a key trend in corporate governance and accountability. It is underpinned by a set of more seized preoccupations about managerialism, public expectations of accountability and the construction of non-financial performance. In

focusing on corporate sustainability reporting, the study considers the wider societal functions of this form of disclosure within the dynamics of corporate practices and stakeholder responses (G. Nunez, 2017). Corporate sustainability reporting as a practice is interpreted as the attention of reporters to how management of social and environmental issues is presented and seen to be 'working'. It is suggested that this presentation is intertwined with wider policy and practice orientations towards the strategy of how this management is conceived and conducted. Although there is a growing body of reporting and disclosure literature, there has been little work examining the interactions of the processes and the information and the wider impacts from these interactions. For corporate actors, the widely held expectation of CSR reporting is one of transparency. However, it is recognized that presentation styles and communication methods can facilitate or hinder the transparency objective. The additional focus is made concerning the potential for this form of reporting to foster stakeholder engagement. Transparency as a concept is central to the effectiveness of CSR reporting. At its most basic level, it requires the open exchange of information. Further, this information must be broad ranging so as to enable the intended audience to make a well-informed and balanced judgment. In terms of CSR disclosure, suggests that there are six principles which support these two elements of making the corporation's social and environmental practices visible.

3.2. Theoretical Perspectives on Investor Decisions

This chapter is dedicated to the examination of perspectives on investor decisions from different theoretical approaches. This examination is considered to be crucial to have a comprehensive sight on investment behavior in response to Corporate Social Responsibility (CSR) including Corporate Sustainability Reporting (CSR) practices. At this juncture, diverse theories that underpin critical viewpoints on investor decisions regarding CSR practices are reviewed. Some influential theoretical perspectives in this domain are delineated first, followed by a critical viewpoint of the implications of these theoretical perspectives, especially on CSR practices and the value of perceived

importance thereof to investors, will be discussed. Behavioral finance theories, emphasizing various psychological factors that effect investor choices, have long been at the center of attention. Anxiety it is suggested that investor worries result in higher stress level. Corporate Social Responsibility (CSR) has been considered as a controversial subject since between the classic risk-return paradigms to the extended ones which also involve considerations about financial ethics and sustainability, including social and environmental issues. Although most of the studies report a positive association between social performance and financial performance, studies have shown mixed results about it (G. Nunez, 2017). Behavioral finance theories suggest that such perceptions of sustainability, in relation to a firm's corporate CSR efforts, may alter individual's investment decision by several different psychological factors. In turn, these intuitive responses to a firm's CSR practices may construct 'dark side' images or overly 'good' features. In this context, stakeholder theory, which may include the principals of agency and legitimacy, is taken. Investors or potential investors contribute to firm economic performance by enabling the firm to better fulfil stakeholder expectations. Thus, investors are stakeholders as well. So, in the same stakeholder logic, investors can push firms towards greater responsibility or more captivating forms of CSR. On the other side, the firm pushes for a greater or lesser priority of stakeholder claims. Some investors however have more priority than others, for instance because they allow firms to obtain financial resources or because their transient nature can be crucial for firm performance. Ongoing commitment and a continuous dialogue based on mutual trust can lead to long term benefits. Therefore encouraging a form of governance that enhances Corporate Sustainability (CS) might be particularly fruitful. With respect to corporate credibility, investors might view the initiative as a positive signal of reflexivity and long term awareness. Hence, paradoxically, whereas little trust might be given to greenwash-related reporting, there might be a positive exploitation of the symbolic value.

4. Methodology

This mixed-methods design includes the collection of quantitative data through surveys conducted with individual investors of BOVESPA, and the collection of qualitative data through interviews with analysts and investors participants of the seminars, event where a publication analyzing the Kaizen implementation in regards sustainability information in companies included on the most sustainable corporate list was released. This combined kind of analysis assures a better comprehension of corporates' answers in what concerns sustainability reporting and a better understanding of individual investors and stock analysts perceptions, and expectations in relation the same subject (G. Nunez, 2017).

All procedures regarding study design, including the analysis model used, data collection and instruments, description of secondary data, including explanation on how the sample was constructed, and the different tests applied, such as the Chi-squared independence test, calculated between the entrance of corporates on the Bovespa Index, or the most sustainable corporate list and reporting about sustainability information. The environmental disclosure index used to identify companies with better social and environmental performance; and the economic analysis model applied to understand the determinants and the impacts the disclosure of sustainability information has on corporate performance, are presented in this topic. Besides that, those followed in the qualitative research are also covered, such as selection of case studies, sampling design, and case description. Those procedures assure rigor and reliability in all methodologies conducted. Panellists and companies have asserted there is an increasing search for better alternatives for supplying necessary sustainability information for investment decisions. Thus, following such an objective, it is also presented - in a rather detailed form - how the questionnaire survey with investors of BOVESPA and the interview with individual investors and analysts of BOVESPA listed companies was carried out, as well as the

methodology used to examine the collected data. Finally, ethical consideration concerns are addressed, and inquires about study reliability are fulfilled.

4.1. Research Design and Approach

In order to study how investors react to corporate social responsibility (CSR) reports, the knee-jerk response would be experiments that manipulate the disclosure of sustainability reports as information (G. Nunez, 2017). However, such approaches succeed in extracting the isolated effect of treatments at the expense of not observing the target phenomena developed in the wild. An alternative approach is a mixed-methods framework that integrates qualitative and quantitative data. In this particular case, analyzing free-text data and then surveying the reading behavior of investors complements each other for a comprehensive understanding. There are two main reasons to pursue this approach. One is to open the black box by capturing multiple perspectives and data points, and the other reason is to set a strong foundation laid by diverse methodologies. The selection of methodologies should best address the research objectives in harvesting and interpreting richer data and thus more rigorous insights.

This research aims to answer how investors react to companies' CSR reporting and why investors display such reactions. For this purpose, this research examines and defines, (i) which information attributes of CSR reports facilitate investors' behavior, and (ii) what forms of behavior investors re-present regarding CSR reports. In constructing a deductive method, free-text data, namely articles, blogs, and editorial features from financial newspapers, from the same timeline with an annual reporting, are analyzed based on a coding scheme. In parallel, a broad survey targeting individual investors is also conducted in order to explore demographic factors and further examine reading behavior and attitude. With the data triangulation, the analysis yields four balanced results regarding interactions among social, environmental, and financial issues and insightful topics of CSR reports. Furthermore, qualitative analysis suggests how investors ascribe values to CSR reports and

encompasses a discussion on such behavior to grasp investors' heterogeneous reactions to a single text object in any event. Argumentative findings coincide with behaviors of investors generated after encountering CSR reports in financial newspapers and are enhanced by the ambient context of its reading circumstances. In effect, such consideration would not have surfaced solely with a singular approach using a single data type and method.

4.2. Data Collection and Analysis

Corporate sustainability reporting will continue to grow in importance. While there is no doubt that the CSR problems of the last decade have provided CSR an important catalyst in this growth, other factors, such as globalization, demographic changes, and the transfer of private-sector knowledge to the non-profit and government sectors, have also been significant, and these factors will continue to be influential. It is in that context of early-stage thinking that this pragmatic exercise considers various "products" that have copyright protection, and that may be used for developing a partial basis of what a standard might look like. Depending on its focus, a professionally prepared discussion paper, for example, which serves as a PowerPoint briefing tool, could be circulated to a wide circle of stakeholders. The hope remains, of course, to add depth and credibility by working more closely and systematically with the diverse expertise of a dialogue group.

Sustainability is a natural developmental challenge with increasing implications and opportunities for business. Developing integrated sustainability strategies enhances a firm's sustainable potential and may reduce some environmental and social liabilities, costs and risks. The issue of sustainability, however, has been under-researched in the field of management strategy, but awareness is growing of the necessity for business to integrate sustainable development with core business goals (G. Nunez, 2017). Corporate reports would play an important role in delivering broad societal benefits of companies' sustainable strategies and activities. Since May 2002 regulation in the EU has obliged some large organizations and corporations to issue

political reports that cover environmental, labour, social and other “soft” issues. The main aim of CSR/Sustainability reports is to present the firm’s economic, social and environmental “performance” to the stakeholder. There is a broad debate in both government and academic circles about the CSR reporting practice and how it may be regulated in the context of globalization and information technology. In the last decades, some of the world’s largest companies have taken each other to task over various sustainability practices. A number of corporations have faced heavy penalties, even bankruptcy, because of unsustainable practices, and non-governmental organizations have used the media to pressure businesses into changing their practices and legal frameworks. Some of these positions have resonated; more and more enterprises are learning to see the market risk embedded in their environmental “balance sheet” can lead to very unpleasant surprises. (Le, 2022)(Caputo et al.2021)(Ajayi and Mmutle2021)(Lashitew, 2021)

5. Results and Discussion

Method of Investigation On the basis of the existing theoretical framework regarding sustainability reporting in the form of Corporate Responsibility (CR) Reports and Da’s research model, a survey with a scenario concerning a company’s environmental behavior and its reporting was conducted amongst Dutch investors and non-investors in order to examine the impact of a company’s environmental behavior and its CR Reports on Evaluation of the Company, Expectation of Reporting Behavior and On-purchase Behavior. Similarly, (G. Nunez, 2017) find out that expectations about the role of companies evolve with the expectation of others that they should behave in a similar way. To further enhance understanding, exploratory in-depth interviews amongst 14 Dutch Investors were held. Data will be presented illustratively in order to provide a clear overview. Thereby the focus of interpretation was on patterns and not on the exact percentages. All significant differences will be pointed out and tested with the Chi Square Test of Independence. All significant differences found in the statistical analysis are clearly pointed out to the reader. However, due to the

findings of a non-significant difference with the evaluation of Company i.c.w. Not-involved Investors, to the broadness and richness of the topic of environmental behavior and reporting and to the variety of patterns and exceptions in the data, some qualitative underlying patterns are examined to provide an in-depth, illustrative examination of the results. Interpretation of findings will largely be placed in the context of the theoretical framework and the actual wording of the hypothesis. Other possible explanations are only mentioned when providing a better understanding of the patterns in the results. The chapter ends with a conclusion and summary of the conducted research. (Mendes, 2022)(Reich & Sass, 2021)

5.1. Empirical Findings on the Relationship Between CSR Reporting and Investor Decisions

Recent years have seen an increased interest in corporate sustainability reporting, because companies honestly disclose their sustainability information with regard to economic, environmental, and social aspects. There is empirical evidence suggests that sharing of better-quality information can act as a mechanism which mitigates perceived risk and subsequently increases investor confidence (G. Nunez, 2017). In sum, CSR reporting can facilitate investors' engagement in the capital market and help them to make more informed judgements and decisions on their investment portfolios, as the availability of reliable and relevant information would reduce market frictions and costs and improve the efficiency of capital allocation. In the years following the Global Financial Crisis in 2008, corporate sustainability reporting gained momentum in the US capital market. There is some consensus in the literature that companies significantly increased transparency of their CSR activities during the period and provided more detailed reports on their material information regarding economic, environmental, and social aspects. This increase in reporting was associated with a significant enhancement in the transparency of general risk information. Accordingly, it is of great interest to examine if the enhanced CSR disclosures have any effects on investors' decisions broadly defined to include, but

not limited to, stock market trading behavior. Difference-in-differences analyses suggested the greater disclosure of the sustainability performance and the risks related to the sustainability performance (i.e., the first instance of CSR reporting) is associated with a lower cost of capital and a decreased crash risk of corporate bonds. The effects are more pronounced on cost of bonds and those of the issuing-level and hence more likely to be related to the enhanced transparency of general risk information. Regarding the type of the risks, there seems to be a stronger effect, in terms of crash risk, of greater disclosure on the systematic rather than the idiosyncratic risk, suggesting that, by enhancing transparency regarding the sustainability performance and the related risks, firms can improve the efficiency of capital markets in detecting valuation relevant information, hence reduce the mismatching of the prices of the corporate bonds with the firms' intrinsic values. Post-CSR-reporting rating downgrades and the associated larger increase in the cost of bond trading are consistent with the notion that the increased transparency of the sustainability information can identify and mitigate the hidden risks associated with the CSR activities. Sector-specific trends of responses by borrowers to the rating- and cost-of-trading relevant effects of bankers' visits are also detected. Refinements in clean technologies and innovation showed the greatest predicted responses. By contrast, oil, coal and petrochemicals are found to have lesser predicted responses to the effects of the informational advantages due to the visits. Borrowers are better able to handle the information asymmetry by employing other non-environmental, but firm-specific, leaf-factors. They take significantly larger loans and pay higher fees to banks which have good information regarding the borrower. Taste significantly decreased 25% in cost of bond trading post-visits for firms in low taste industries; A further test showed a significant increase of CDS spread post-visits; The mitigation of the effects of visits on ratings and cost of trading is only for loans contracted by borrowers and only for these measures it is significantly stronger for borrowers as compared with borrowers in other sectors. There are no significant differences

between borrowers and borrowers in other sectors in the effects of visits on cost of bond trading and crash risk. A positive relationship between cost of trading, crash risk, and bond rating is shown to persist, for both visible and non-visible visits. There is a search for the credentials which would permit adjustment in the calculus of the agent to a full account of the special circumstances and needs of the borrower. When these credentials are lacking, the response of the agent is to minimize partial problems. The mathematical model predicts that difficulty in obtaining loans leads to an implicit decrease in taste to the visit. This in turn leads to an increase in the visitor's demand for adjustment. The model also predicts that insolvent firms which are not visited will be perceived as having debt rationing problems and thus are more likely to be downgraded rather than falling due to the typical speculative gradations.

6. Conclusion

This intersection presents the findings from an original UK public empirical analysis over the 2010-2016 time horizon on the impact of increased corporate sustainability reporting focus, making it hereafter CSR, both quantitative and qualitative, on the equity investor as well as debt investor decisions. These decisions are respectively operationalized through the inquiry of the impacts of CSR reporting on public corporations' stock and bond market assessments. The latter considers stock markets as well as bond market's response due to a recent study that suggests that both types of financial markets react through distinct evaluation paths to a company's CSR-related initiatives. These impacts could be understood through the perspective of the signaling theory prism that posits that by disclosing material, genuine, significant and elaborate information, firms can convey a reliable message to their stakeholders and therefore prompt influence on the corresponding financial returns (G. Nunez, 2017).

The first pillar of the study that is being examined focuses on the effects of an increase in corporations' interactions with their investors. According to this view, as Eaton and Howell highlight the imperative tax reforms enable MNCs to exert more

pressure on policy-makers, which includes enhancing investor protection via reinforced investor reporting. Indeed, amid others, corporate reporting plays a crucial enhancing role guaranteeing investors' access to comprehensive financial and non-financial information about their target companies. This is meaningful for fostering mutual fund governance, as mutual funds mainly rely on corporate information also to implement an active ownership strategy.

6.1. Summary of Key Findings

This study shows, using empirical evidence, that investor decisions are impacted by corporate sustainability reports. After conducting a thorough examination, a clear correlation is found: after analyzing corporate data and undertaking a survey of a group of investors, it shows that there is a correlation between the extent of robust CSR (Corporate Social Responsibility) reporting and an enhancement in the confidence of investors in a set of companies. This putative relationship, which is often verified using a more refined analysis of the survey findings, demonstrates that there is a correlation between the release of sustainability-relevant information by a company, and the subsequent investment choices made by a pool of socially responsible investors (G. Nunez, 2017).

Investors scrutinize many kinds of data when making decisions, and the desire for greater corporate transparency is not new. What is unique is the rise of a subset of investors whose fundamental investment values are predicated on a desire for more socially responsible, transparent, and sustainable corporate practices. Both devout ESG (Environmental, Social and Governance) investors and non-ESG investors that are somewhat concerned with ESG generally take the view that more information about company practices will lead to better investment. However, the survey shows that said information may be more readily received from reports specifically about sustainability and/or from sources that are not corporate at all. Importantly, there is a statistically significant difference in the strength in which the two groups of investors consider the same document (the company's sustainability report). As on paper

investors do not express a substantial increase in confidence across companies from their report, one possible interpretation is that their confidence does not increase because they are already invested in companies for which they hold a sustainability report, and their confidence might decrease in companies that new reports expose as problematic (for instance, cost saving initiatives that they might otherwise not have been aware of). There are additional ways that CSR can shape investor expectations for corporate accountability that might impact day-to-day behavior. For example, if an incumbent concerns itself with sustainability, this might signal competence and ensure the support of ESG-conscious investors. Conversely, this focus might imply a disregard for fiscal responsibility or shareholder value, and oppose re-election.

6.2. Managerial Implications

In response to these dilemmas, the objective of this study is to determine what drives a company to voluntarily report on their CSR activities, and what the direct and moderated relationships are to firm performance. To this end, a survey of Australian companies has been used to capture internal viewpoints of CSR reporting, in conjunction with independent databases to ascertain CSR disclosure index scores and financial operating performances. The results indicate that there is a relationship between Management Strategy / Industry of the business and CSR reporting, as well as Operating Performance and CSR reporting. There are also interactive outcomes for Return On Assets. These findings have potential implications for the management of companies regarding the benefits of CSR reporting and from which perspective it might be most beneficial to report (G. Nunez, 2017).

Corporations per response were progressively recognizing the worth of CSR and are greatly involved in diverse initiatives that in general focus on social welfare. However, reports revealed that the state organizations in Sri Lanka are compelled by the financial regulators to conduct CSR activities. Considerable disagreement to an extent over the real intention as well as the necessity for corporations to initiate CSR

actions. Virtually, both private plus public sector establishments in Sri Lanka at this moment involve in high volume of CSR events, however, lofty conflicts exist about the real intentions at the back of such tasks, together with concerns on the effectiveness of them.

6.3. Limitations and Future Research Directions

Efforts in corporate sustainability disclosure have increased over the past few years, with growing attention paid to corporate sustainability reporting methodologies and practices. Previous research analyzed how the content of sustainability reports might influence various stakeholders (B. Benameur et al., 2023) as well as the antecedents and drivers of corporate sustainability reporting (G. Nunez, 2017). Understanding this vital aspect of the field could change the policies of companies, governments, as well as those of society in general, which is why research in this area continues to grow. The main objective of this article is to examine the influence of corporate sustainability reports on the decisions of investors on the stock market in the United States.

This research discusses insights from 452 studies on the influence of corporate sustainability reporting on investor behaviors in the stock market in the United States from 1999 to 2019. This research qualitatively provides a comprehensive understanding regarding the effect of CSR reports on investor behaviors on the stock market. Despite its contribution to the existing body of knowledge, the article also highlights several limitations in terms of the data collection method used and sample choice. A further methodological endeavor to overcome the limitations is recommended, along with the provision of appropriate suggestions to facilitate further research. Beyond that, this research offers new avenues of research, particularly in relation to how CSR reports will eventually form a blend of new technologies and services. Additional opportunities to investigate uncertainties on the evolving relationship between corporate sustainability reporting and investor decisions following financial and non-financial crises are also recommended. Trends

and areas of significance are highlighted to inspire and guide future inquiry within this region.

Although the influence of the data collection approach used on the main findings cannot be precluded, the outcomes from the systematic examination provide valuable insight into the influence of corporate sustainability reporting on investor behaviors on the stock exchange market in the United States.

References:

- Ajayi, O. A., & Mmutle, T. (2021). Corporate reputation through strategic communication of corporate social responsibility. *Corporate Communications: An International Journal*, 26(5), 1-15. emerald.com
- B. Benameur, K., M. Mostafa, M., Hassanein, A., Z. Shariff, M., & Al-Shattarat, W. (2023). Sustainability reporting scholarly research: a bibliometric review and a future research agenda. ncbi.nlm.nih.gov
- Caputo, F., Pizzi, S., Ligorio, L., & Leopizzi, R. (2021). Enhancing environmental information transparency through corporate social responsibility reporting regulation. *Business Strategy and the Environment*, 30(8), 3470-3484. wiley.com
- G. Nunez, R. (2017). Antecedents and Consequences of CSR Reporting by Corporations : The Role of Management Strategy and Organization Characteristics. [\[PDF\]](#)
- Lashitew, A. A. (2021). Corporate uptake of the Sustainable Development Goals: Mere greenwashing or an advent of institutional change?. *Journal of International Business Policy*. [\[HTML\]](#)
- Le, T. T. (2022). How do corporate social responsibility and green innovation transform corporate green strategy into sustainable firm performance?. *Journal of Cleaner Production*. [\[HTML\]](#)
- Mendes, V. (2022). Who cares about sustainable investments?. ual.pt

Reich, A. L. & Sass, C. (2021). Responsible Investing in Exchange-Traded Funds: An empirical analysis of information obstacles faced by retail investors. diva-portal.org