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Mapping the Evolution of Sustainability Reporting Determinants: A Systematic Literature Review Across Organizational Capabilities and Institutional Pressures

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ABSTRACT

Sustainability reporting has become a strategic corporate practice that reshapes how organizations communicate environmental, social, and governance information to stakeholders. This study examines the determinants of sustainability reporting adoption and quality through a systematic literature review (SLR) of peer-reviewed studies (2023-2025). Drawing on Scopus-indexed articles selected in the PRISMA process, the review synthesizes key findings using a multi-theoretical framework and determinants of sustainability reporting. The results show that sustainability reporting is jointly shaped by internal organizational capabilities, such as corporate governance, leadership orientation, firm size, sector, profitability, and human capital, and external institutional pressures including regulation, capital markets, non-governmental organizations, socio-cultural norms, and technological systems. While institutional pressures expand disclosure, reporting quality depends critically on internal capabilities, with weak alignment leading to symbolic adoption. The study contributes a concise integrative framework to explain variations in sustainability reporting quality and identifies a structured agenda for future empirical research.

***Keywords**: Sustainability Reporting; Organizational Capabilities; Institutional Pressures; Reporting Quality; Systematic Literature Review.*

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INTRODUCTION

Global regulatory developments, increasing stakeholder expectations, and the transformation of corporate sustainability strategies have driven the intensification of sustainability reporting practices in recent years. The implementation of the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), along with the accelerated adoption of the Global Reporting Initiative (GRI), marks a fundamental shift from voluntary sustainability reporting toward increasingly standardized and mandatory governance mechanisms. This shift is reinforced by the increasing emphasis on applying impact-based materiality and financial risk approaches, supply chain accountability, decarbonization strategies, and environmental, social, and governance (ESG) risk transparency.

Along with this development, sustainability reporting is increasingly positioned as a strategic source of information for investors and other stakeholders. Investors leverage sustainability disclosures to integrate environmental and social risks into risk assessments, capital allocation strategies, and long-term performance evaluations, while customers, employes, suppliers, and civil society use sustainability reports to assess the credibility, accountability, and consistency of a company's sustainability commitments. In this context, sustainability reporting serves not only as a compliance mechanism but also as a means of strategic communication that shapes the company's relationship with its key stakeholders (Traxler et al., 2023).

However, this increasing strategic role is not matched by a uniform level of implementation. Despite global convergence in regulations and reporting standards, recent literature indicates consistent gaps in the level of adoption, quality, depth, and form of sustainability reporting across companies, industries, and countries. Sustainable Development Goals (SDGs) reporting practices are still highly diverse (Subramaniam et al., 2023), the quality and credibility of ESG reporting differ significantly across industries (Calciolari et al., 2024), and companies' readiness to implement CSRD and ESRS tends to be low, even in advanced European markets (Godawska & Rymkiewicz, 2025; Macuda & Kobiela-Pionnier, 2025). Meanwhile, in developing countries, sustainability reporting is not yet fully perceived as an economically valuable factor by the capital market (Shaban & Zarnoun, 2024). These findings indicate that the evolution of sustainability reporting is neither linear nor uniform.

Empirically, recent research confirms that sustainability reporting practices are shaped by a combination of internal determinants and external institutional pressures. At the organizational level, factors such as board structure and characteristics, company size, profitability, ethical culture, leadership attributes, and the orientation toward sustainability strategies have been shown to influence the intensity and quality of reporting (Ahadiat et al., 2024; Choy, 2023; Donner et al., 2025; Pezzolo & Monaci, 2025; Subramaniam et al., 2023). At the same time, institutional pressures, including legal systems, regulations, collaboration with NGOs, technological developments, and economic and financial conditions, play a dominant role in shaping the direction and homogenizing sustainability reporting practices (Traxler et al., 2023; Ventura, 2023).

However, most previous studies tend to focus on the consequences of sustainability reporting, particularly its impact on financial performance or company value. Empirical evidence that systematically synthesizes how internal organizational determinants and external institutional pressures simultaneously shape sustainability reporting practices, particularly in the context of recent regulatory dynamics, remains limited and fragmented. Additionally, integrating theoretical perspectives that explain the evolution of these determinants into a comprehensive synthesis framework is still rare. Based on this gap, this study aims to map the evolution of sustainability reporting determinants thru a systematic literature review. Specifically, this study aims to:

1) to identify and synthesize the main theoretical frameworks used to explain sustainability reporting practices; and
2) to analyze the role of internal organizational determinants and external institutional pressures in shaping the adoption, quality, and form of sustainability reporting.

In line with this objective, this research is guided by two main questions:

1) what theories underpin and explain sustainability reporting practices in current literature? and
2) to what extent do internal organizational determinants and external institutional pressures influence sustainability reporting practices?

The primary contribution of this study lies in the systematic and theoretically grounded integration of empirical data on recent findings about the factors influencing sustainability reporting, by analyzing the dynamics and evolution of these practices in the light of growing worldwide regulatory convergence. This study offers a thorough understanding of the trends, causes, and differences in sustainability reporting methods across industries and nations by combining internal organizational factors and external institutional pressures into an integrated analytical framework. The findings of this study clarify on the conceptual understanding of the variables influencing sustainability reporting and offer scholars, practitioners, and policymakers a stronger analytical basis for evaluating and creating more reliable, transparent, and consistent sustainability reporting systems.

The structure of this article is organized as follows. Section 2 presents a literature review on sustainability reporting, including internal organizational determinants and external institutional pressures. Section 3 explains the research method. Section 4 presents the results of the characteristics of the reviewed studies. Section 5 discusses the main findings and their implications. Section 6 provides conclusions and recommendations for further research.

LITERATURE REVIEW

Sustainability Reporting

Sustainability reporting is a systematic disclosure process regarding the economic, social, and environmental impacts and performance of an organization, serving as a mechanism for accountability, decision-making, and sustainability governance. Gray et al. (1996) defined sustainability reporting as an extension of corporate accountability for the social and environmental consequences of business activities, while contemporary approaches emphasize its strategic role in providing relevant risk-based, performance, and policy information for investors and stakeholders (KPMG, 2022). Schaltegger et al. (2022) further emphasize that sustainability reporting serves a dual function as a means of external communication and an internal managerial instrument that supports the integration of sustainability into decision-making processes and long-term value creation. Supported by the Corporate Sustainability Theory framework, sustainability reporting is an integral part of the organizational architecture that connects strategy, governance, and control systems with economic, social, and environmental goals. Consistent with the integrative framework developed by Lozano et al. (2015), corporate sustainability theory does not stand as a single approach, but rather encompasses a spectrum of theories that explain the existence of companies, their obligations to society, and the dynamics of long-term value creation. In this context, sustainability reporting becomes the primary medium thru which companies respond to sustainability demands arising from the interaction between the organization's internal capacity and external institutional pressures.

The evolution of global regulations and standards has driven a fundamental transformation of sustainability reporting practices from voluntary disclosure toward increasingly standardized and mandatory governance mechanisms. Adopting frameworks like the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and recent regulations such as the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) broadens the scope, depth, and comparability of reports. This shift is reflected in a move from narrative-based CSR reporting toward quantitative disclosures, impact and financial risk-based materiality assessments, and forward-looking disclosures related to climate transition and supply chain sustainability, with digital technology and AI-based analytics increasingly strengthening the consistency and accuracy of reporting (Calciolari et al., 2024). Additionally, recent literature also indicates that sustainability reporting has evolved into various forms, including Sustainable Development Goals (SDGs) reporting (Donner et al., 2025; Subramaniam et al., 2023), the quality and credibility of ESG disclosures (Choy, 2023), ESG risk reporting (Kamgang & Boiral, 2025), double materiality assessment or the impact-based and financial risk materiality approach (Macuda & Kobiela-Pionnier, 2025), and the integration of reporting into management control systems (Traxler et al., 2023). This diversification confirms that sustainability reporting is increasingly positioned as a strategic governance tool that goes beyond mere compliance functions.

To explain the variation in these practices, the literature relies on various theoretical lenses including Legitimacy, Stakeholder, Voluntary disclosure, Institutional, Agency, Signaling, and Ethical Theory. These theories collectively highlight how sustainability reporting is shaped by the interaction between internal organizational determinants, such as company size, governance structure, board and management characteristics, profitability, strategic orientation, and ethical culture, and external institutional pressures, including regulation, legal systems, economic conditions, social norms, stakeholder expectations, the role of NGOs, and technological developments (Choy, 2023; Donner et al., 2025; Kamgang & Boiral, 2025; Pezzolo & Monaci, 2025; Ventura, 2023).

METHODS OF RESEARCH

This study applies the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) approach, as recommended by (Martiny et al., 2024) to ensure transparency and quality in conducting the systematic literature review (SLR). This study collected data from the Scopus database, which was chosen exclusively for its reputation as the most comprehensive and credible source of scientific literature. Scopus provides extensive coverage of peer-reviewed publications across disciplines, including accounting and blockchain technology, ensuring access to high-quality and relevant data sources. This database also implements strict selection standards to maintain scientific validity and minimize the risk of including predatory publications. Additionally, Scopus' advanced search capabilities and citation analysis features enable the transparent, accurate, and replicable execution of systematic literature reviews, in accordance with the methodological standards of highly reputable academic research. Although a systematic review across various databases could broaden the findings, the sole use of Scopus is considered representative enough to achieve the objectives of this study. The broad coverage and high quality of journals indexed in Scopus, most of which are also listed in other databases, make this approach both efficient and effective in minimizing redundancy and ensuring a focus on valid, credible, and highly influential scientific literature.

This study collected all journal articles from the Scopus database on 07th December, 2025, using the search string "sustainability reporting" OR ("sustainability" AND "reporting") OR ("integrated" AND "non-financial reporting") AND "company".

The articles obtained were selected based on the following inclusion criteria:

- date range: from 2023 to 2025;
- subject area: business, management, and accounting;
- document type: article;
- language: English; and
- access: all open access.

These criteria were applied to improve data quality, which is also in line with recommendations from SLR studies (Martiny et al., 2024; Schaltegger et al., 2022). The remaining results are 20 articles. Then, this study analyzed the 20 documents collected by content analysis, analyzing tight relevant article with the theme of sustainability reporting determinants that resulted in 17 articles. As a result, a total of 17 articles were analyzed in this study to identify the main theoretical frameworks and the role of sustainability reporting determinants including research gaps and future research agenda (see Figure 1).

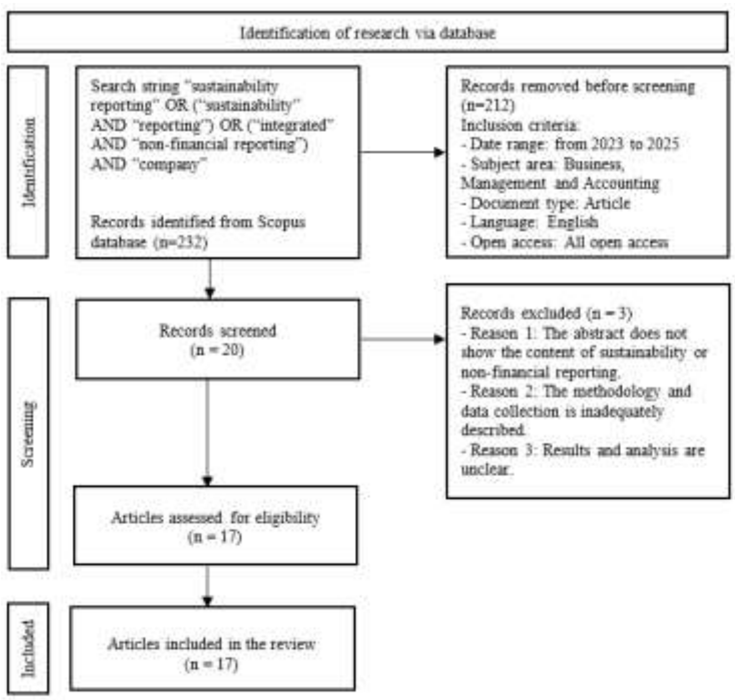

Figure 1. PRISMA Process
Source: Author's own work

Consistent with (Schaltegger et al., 2022), this study classifies the reviewed literature based on publication journals, industry distribution, geographical settings, and research methods to assess the methodological maturity and contextual variations of sustainability reporting research. Additionally, this study analyzes the theoretical framework used and the determinants of sustainability reporting, explicitly differentiating between internal organizational determinants and external institutional pressures, in accordance with the research questions. This approach allows for a structured mapping of the patterns and evolution of research focus within the study period.

RESULT AND DISCUSSION

The following sections show the SLR analysis results using 17 related articles.

Distribusi dari Selected Articles

1. Article Distribution by Journals

Table 1 presents information on publications based on citations received. Based on the analysis conducted on the distribution table encompassing 17 articles in this Systematic Literature Review (SLR), several interpretations can be drawn regarding the current state and developments in research on the determinants of sustainability reporting for the period 2023-2025.

Table 1. Article Distribution by Journals

Journal Name	**2023**	**2024**	**2025**	**Total**
Accounting, Economics, and Law	1	-	-	1
Business Ethics, the Environment & Responsibility	-	1	-	1
Cogent Business & Management	-	1	-	1
Corporate Social Responsibility and Environmental Management	-	2	1	3
Engineering Management in Production and Services	-	1	-	1
European Management Review	1	-	-	1
Investment Management and Financial Innovations	-	1	-	1
Journal of Applied Accounting Research (JAAR)	-	-	1	1
Journal of Business Ethics	-	1	-	1
Journal of Cleaner Production	1	1	-	2
Problems and Perspectives in Management	1	-	-	1
Risk Governance & Control: Financial Markets & Institutions	-	1	-	1
Utilities Policy	1	-	-	1
Zeszyty Teoretyczne Rachunkowości	-	-	1	1
Total	**5**	**9**	**3**	**17**

Several journals show publications in core journals in the fields of sustainability and accounting, with Corporate Social Responsibility and Environmental Management being the most dominant contributor, followed by the Journal of Cleaner Production. This pattern reflects the central role of these journals in shaping and directing academic discourse on sustainability reporting.

2. Article Distribution by Industry

Table 2 shows that most studies in the 2023–2025 period focus on relatively large cross-industry studies, indicating a literature trend toward identifying common determinants of sustainability reporting in the context of global standards and regulations convergence. Next comes the energy industry, a sector with high environmental sensitivity and under intense regulatory, social, and market pressure related to carbon emissions, energy transition, and environmental risks. The dominance of this sector reflects the strategic role of the energy industry in the global sustainability agenda, as well as the high demands for transparency from regulators, investors, and stakeholders. Additionally, several studies examined other sectors such as automotive, finance, manufacturing, logistics, agri-food, and chemicals, each with one article, indicating that sustainability reporting is also a relevant issue across sectors, although with varying intensity.

Table 2. Article Distribution by Industries

Industry	**2023**	**2024**	**2025**	**Total**
Energy	3	1	-	4
Automotive	-	1	-	1
Financial	-	-	1	1
Industrial	-	1	-	1
Logistics	-	1	-	1
Agri-food	-	1	-	1
Chemical	-	1	-	1
Others[a]	2	3	2	7
Total	**5**	**9**	**3**	**17**

[a]Studies with samples from various industries.

3. Article Distribution by Geographical Settings

Table 3 shows that research on the sustainability reporting determinants in the 2023–2025 period is dominated by the European context, with the majority of studies focusing on Poland and one study each in the UK, Netherlands, Germany, Jordan, Italy, Slovakia, Ukraine, Austria, and Spain. Asia ranked second based on research in Indonesia and Hong Kong, while a small number of studies used company samples in Australia and the United States. This distribution reflects the concentration of research in regions with high sustainability reporting regulatory intensity, particularly Europe, while also showing that research in other regions is still relatively limited.

Table 3. Article Distribution by Geographical Settings

Geographical Settings	**2023**	**2024**	**2025**	**Total**
Australia	1	-	-	1
Europe	3	7	2	12
Asia	1	1	1	3
America	-	1	-	1
Total	**5**	**9**	**3**	**17**

4. Article Distribution by Research Methods

Table 4 presents information regarding publications based on research methods. Based on the analysis conducted on the table of research method distribution found in the 17 articles reviewed in this study, several interpretations can be drawn regarding the methodological trends emerging in studies on the sustainability reporting determinants for the period 2023-2025.

Table 4. Article Distribution by Research Methods

Method	**2023**	**2024**	**2025**	**Total**
Archival	1	3	-	4
Case Study	-	1	-	1
Comparative Analysis	1	-	-	1
Content Analysis	2	3	2	7
Bibliometric Analysis	-	1	-	1
Fuzzy-Set Qualitative Comparative Analysis (fsQCA)	1	-	-	1
Interviews	-	-	1	1
Mix Method	-	1	-	1
Total	**5**	**9**	**3**	**17**

Based on an analysis of 17 articles, content analysis emerged as the most dominant research method, reflecting the literature's focus on empirical studies based on analyzing sustainability reporting disclosures to explain the determinants of reporting practices. Other empirical approaches, particularly archival methods, were also used to provide contextual evidence regarding the implementation of sustainability reporting. A number of studies adopt mixed methods to enhance the validity of their findings, while methods such as interviews, fuzzy-set qualitative comparative analysis (fsQCA), case studies, bibliometrics, and comparative analysis are relatively rarely used but offer a deeper understanding of the dynamics and complexities of sustainability reporting practices. Overall, this methodological pattern indicates that sustainability reporting research is evolving toward a multidimensional approach that combines empirical analysis and conceptual synthesis.

Review of Relevant Theories

Literature on sustainability reporting widely acknowledges that Sustainability reporting procedures are a complicated issue that cannot be adequately explained by a single theoretical approach. Conversely, a comprehensive understanding of sustainability reporting determinants requires the integration of various theoretical perspectives that capture the dynamic interplay between an organization's internal capabilities and external institutional pressures. In this context, legitimacy, stakeholder, institutional, voluntary disclosure, agency, signaling, slack resources, and ethical theory collectively form the main conceptual foundation for explaining the variation, intensity, and quality of sustainability reporting practices across companies and institutional contexts.

Legitimacy theory and **stakeholder theory** are often positioned as the initial foundations for explaining why companies engage in sustainability reporting. Legitimacy theory emphasizes that the sustainability of the company activities depends on social acceptance gained thru alignment between societal values, practices, and expectations. In the context of sustainability reporting, the disclosure of ESG information serves as a mechanism to manage public perception, respond to social pressure, and protect the company's legitimacy and reputation, especially when public exposure and reputational risk increase (Godawska & Rymkiewicz, 2025). This perspective is reinforced by stakeholder theory, claiming that companies are not only responsible to shareholders, but also to various stakeholder groups affected by their activities. Within this framework, sustainability reporting is a strategic communication tool to meet heterogeneous information needs and build long-term relationships with key stakeholders (Remo-Diez et al., 2023).

Institutional theory expands this understanding by placing sustainability reporting practices within a broader institutional context. This theory emphasizes that companies operate within a system of norms, rules, and practices that shape organizational behavioral expectations, thus driving companies to adopt reporting practices aligned with regulations, global standards, and dominant industry practices in order to gain legitimacy, stability, and access to resources. The application of standards such as GRI and the strengthening of sustainability reporting regulations in various jurisdictions demonstrate that sustainability reporting is increasingly functioning as an institutional instrument to signal companies' compliance and alignment with the normative boundaries of the business environment (Choy, 2023).

From an economic and information perspective, voluntary disclosure theory, agency theory, and signaling theory provide complementary explanations for the role of sustainability reporting in reducing information asymmetry of management and external stakeholders. **Voluntary disclosure theory** argues that companies will strategically disclose sustainability information when the benefits of reputation, reduced cost of capital, and increased stakeholder trust outweigh the reporting costs (Calciolari et al., 2024). Similarly, **agency theory** views sustainability reporting as a governance mechanism to reduce conflicts of interest between managers and owners by increasing transparency and accountability, particularly in markets with high levels of information asymmetry (Shaban & Zarnoun, 2024). **Signaling theory** complements this argument by emphasizing that companies with relatively superior sustainability performance tend to use ESG disclosures as a signal of credibility and managerial quality to differentiate themselves from competitors and attract investors and stakeholders who are increasingly sensitive to sustainability issues (Choy, 2023; Godawska & Rymkiewicz, 2025).

The role of an organization's internal capabilities in shaping sustainability reporting practices is further explained thru **slack resources theory**. This theory argues that companies with higher profitability and greater resource availability have a greater capacity to invest in comprehensive sustainability reporting systems, processes, and technologies. Empirical evidence suggests that resource availability enables companies to enhance the quality, depth, and credibility of their disclosures, although the relationship between profitability and reporting is not always linear (Shaban & Zarnoun, 2024). Finally, complementing the structural and economic approaches, the ethical virtues model highlights the internal normative dimensions of organizations by emphasizing the role of values, ethical culture, and moral commitment in fostering authentic and trustworthy reporting practices. This perspective suggests that high-quality sustainability reporting is not merely a response to external pressures or economic incentives, but also a reflection of internal ethical orientations that shape managerial behavior and corporate governance practices (Pezzolo & Monaci, 2025).

Determinants of Sustainability Reporting

The integration of literature findings indicates that sustainability reporting is shaped by the interaction between a company's internal capabilities and external institutional pressures, thus the heterogeneity of reporting practices cannot be explained by a single determinant. These determinants are consistently classified into internal factors reflecting organizational characteristics, governance, and resources, as well as external factors stemming from the regulatory and market environment (Arkoh et al., 2024). Table 5 presents the classification of these determinants based on their main characteristics.

Table 5. Determinants of Sustainability Reporting

Internal Organizational Capabilities	**External Insitutuional Pressures**
Corporate Governance	Legal System
Company Size	Economics
Industrial Characteristics	NGO Collaboration
Profitability	Cultural System
Human Capital	Technology

Source: Author's original material.

1. Internal Organizational Capabilities

Internal organizational factors play a crucial role in shaping a company's readiness, motivation, and consistency in sustainability reporting. Literature confirms that internal characteristics not only determine a company's technical capacity to prepare reports but also reflect a strategic commitment to long-term transparency and accountability.

Corporate governance is consistently identified as a key internal determinant. Gender diversity and board expertise in sustainability issues are positively related to the quality and depth of ESG and SDG disclosures (Pezzolo & Monaci, 2025; Subramaniam et al., 2023). From a stakeholder theory perspective, inclusive governance enhances a company's responsiveness to diverse stakeholder information demands, while agency theory views the board as a monitoring mechanism that reduces information asymmetry and strengthens non-financial transparency. Furthermore, the commitment and sustainability orientation of top management, particularly the CEO, facilitates the integration of sustainability into corporate strategy and reporting, aligning with signaling theory, which positions sustainability reports as indicators of leadership credibility and long-term orientation (Ahadiat et al., 2024). Consistency between leaders' ethical values and disclosure practices strengthens the ethical virtues model, which emphasizes ethical culture as the foundation for substantive and not merely symbolic reporting (Pezzolo & Monaci, 2025).

Furthermore, **firm size** emerges as the most stable determinant in the literature. Large companies face higher public visibility and legitimacy pressures, thus being driven to provide broader and more standardized disclosures in accordance with legitimacy theory (Godawska & Rymkiewicz, 2025). Additionally, greater resource capacity enables the development of more complex reporting systems and improved preparedness in responding to coercive pressures, including the implementation of CSRD and GRI standards within institutional theory (Choy, 2023). From the perspective of slack resources theory, company size facilitates the necessary organizational and financial investments to improve the sustainability reporting quality (Shaban & Zarnoun, 2024).

However, the influence of company size is not independent of the operational context in which the company operates. **Industry characteristics** shape the specific context of risk and reporting expectations. Companies in sectors with high environmental and social impact, such as energy, chemicals, pharmaceuticals, agrifood, and automotive, systematically demonstrate more intensive and in-depth reporting practices (Calciolari et al., 2024; Makarenko et al., 2023). This pattern reflects efforts to manage reputational risk and meet regulatory and social demands, aligning with legitimacy theory and reinforced by normative and coercive pressures within the framework of institutional theory (Traxler et al., 2023). From a signaling theory perspective, more comprehensive sustainability disclosure serves as a signal of a company's ability to manage ESG risks and meet market expectations (Makarenko et al., 2023).

Additionally, the company's financial capacity also influences the intensity and sustainability of reporting practices. **Profitability** plays a role thru the slack resources mechanism, where the availability of financial resources allows for initial investment in sustainability reporting infrastructure and processes, even if short-term financial benefits are not always immediately realized (Remo-Diez et al., 2023; Shaban & Zarnoun, 2024). However, this relationship is not always linear. In times of financial pressure, companies can actually increase sustainability disclosures as a strategy to regain legitimacy and stakeholder trust, as explained by legitimacy theory (Godawska & Rymkiewicz, 2025).

At the operational level, the effectiveness of all these internal determinants is highly dependent on the quality of human capitals. **Human capitals** determine the credibility and accuracy of disclosures. Workforce competence has been proven to enhance the quality of SDG and ESG reporting (Pezzolo & Monaci, 2025). The ethical virtues model emphasizes that organizational integrity and ethical values are prerequisites for credible sustainability reporting, while stakeholder theory positions internal capabilities as key to effectively meeting stakeholder information needs.

2. External Institutional Pressures

External determinants operate thru institutional pressures and market incentives that shape expectations regarding transparency and accountability. Regulations, capital markets, social actors, cultural norms, and technological developments not only set minimum reporting thresholds but also drive improvements in the quality and credibility of sustainability reporting as a strategic response to demands for legitimacy and public trust.

The legal system is the most formal and binding source of institutional pressure. Regulatory developments, particularly in Europe, indicate a shift from voluntary sustainability reporting toward stricter legal obligations, such as CSRD (Donner et al., 2025). The low preparedness of some companies confirms that regulatory strength directly affects the intensity and quality of reporting. Within the framework of institutional theory, regulation serves as a coercive pressure driving the adaptation of reporting practices, while legitimacy theory explains compliance as a mechanism for maintaining social legitimacy (Donner et al., 2025).

Beyond regulation, **economic conditions** including capital market dynamics shape investor expectations regarding non-financial disclosures. Empirical evidence indicates that ESG reporting is associated with financial risk and performance across various market contexts (Musa et al., 2024). From a signaling theory perspective, ESG disclosure is used to convey signals of management quality and long-term prospects (Choy, 2023), while stakeholder theory positions the capital market as a key actor in shaping non-financial reporting standards (Remo-Diez et al., 2023).

Additionally, the role of **Non-Governmental Organizations (NGO) collaborations**, particularly on environmental issues, human rights, and supply chains, increases the visibility of ESG risks and encourages improvements in corporate practices and disclosures (Kamgang & Boiral, 2025). In line with institutional theory, the values and norms brought by NGOs shape corporate behavior expectations, while stakeholder and legitimacy theories explain increased reporting as a strategy to maintain social acceptance and mitigate reputational risk (Subramaniam et al., 2023).

Cultural systems including social norms complement institutional pressures by forming a moral framework within which companies operate. Studies show that social norms and cultural context influence the intensity and focus of SDG and climate issue reporting (Feeney et al., 2025). From the perspective of legitimacy and stakeholder theories, alignment between reporting practices and social values is a prerequisite for maintaining legitimacy and public trust (Remo-Diez et al., 2023).

Finally, the **technology system** serves as an external supporting factor that enhances the consistency, comparability, and integration of sustainability reporting. Digitalization and the use of artificial intelligence facilitate reporting standardization and strengthen links with management control systems (Calciolari et al., 2024; Traxler et al., 2023). Within the framework of institutional theory, technology adoption reflects a response to normative pressure to follow best practices and strengthen cross-industry accountability.

Discussion

This study examines sustainability reporting thru the lens of a multi-theoretical framework, positioning a company's internal capabilities and external institutional pressures as the two main dimensions that simultaneously shape the sustainability reporting adoption and quality. Thru a systematic literature integration, this study synthesizes previously fragmented findings and presents a coherent conceptual mapping of the sustainability reporting determinants within the context of organizations and their institutional environment. The analysis results indicate that sustainability reporting is developing as a strategic response to increasing demands for legitimacy and accountability, while also reflecting the company's internal readiness level.

First, the findings confirm that sustainability reporting serves as a strategic communication mechanism that bridges the information requirements of both external and internal stakeholders. In line with stakeholder theory and legitimacy theory, sustainability reporting not only serves as a reporting instrument but also as a means of maintaining corporate legitimacy in a dynamic institutional environment (Godawska & Rymkiewicz, 2025; Remo-Diez et al., 2023; Traxler et al., 2023). Grouping determinants into internal capabilities, such as corporate governance, company size, sector characteristics, profitability, and human resources, as well as external pressures including regulation, capital markets, social norms, NGOs, and technology, provides a clear framework for understanding how sustainability reporting is shaped by the interaction of organizational and environmental factors.

Second, the research results indicate that internal capabilities determine whether external pressure translates into substantive or merely symbolic reporting. Effective governance, ethical leadership, and resource support enable companies to manage the complexity of sustainability information and integrate it into their decision-making strategies and systems. Conversely, when internal capabilities are weak, increased external pressure tends to result in formal compliance-based reporting. This finding strengthens the argument that the value of information in sustainability reporting is not determined solely by the quantity of disclosure, but rather by a company's ability to simultaneously understand and align internal and external dynamics (Arkoh et al., 2024; Choy, 2023; Godawska & Rymkiewicz, 2025).

However, consistent with previous literature, this study also reveals a consistent gap between the regulatory framework and the quality of reporting. Adopting standards and regulations, including GRI, CSRD, and ESRS, does not automatically improve the quality of sustainability information (Calciolari et al., 2024; Donner et al., 2025; Subramaniam et al., 2023). In many contexts, sustainability reporting still serves as a symbolic response to institutional pressure, especially when reporting has not been integrated into management control systems and strategic decision-making processes (Traxler et al., 2023). This confirms that the effectiveness of sustainability reporting depends on the alignment between external pressures and internal organizational readiness.

Third, this research expands the discussion on the value of information in sustainability reporting by emphasizing that the quality and credibility of reporting are determined by the degree of internalization of sustainability principles into governance, organizational culture, and operational practices (Choy, 2023; Pezzolo & Monaci, 2025; Ventura, 2023). Meaningful sustainability reporting emerges when companies can leverage reporting as a dynamic organizational process, rather than merely a result of regulatory compliance (Kamgang & Boiral, 2025; Subramaniam et al., 2023). Thus, these findings reinforce the view that sustainability reporting is a mechanism for strategic learning and adaptation, whose value lies in substantive integration, not mere formal adoption.

Overall, the practice of sustainability reporting is shaped by the dynamic interaction between institutional pressures and internal capabilities, consistent with the proposed research model. This framework provides a more complete understanding of why companies with similar external pressures can produce vastly different quality of sustainability reporting, depending on their internal governance structure, resources, and strategic orientation.

CONCLUSION

This study concludes that sustainability reporting cannot be understood solely as a result of regulatory compliance, but rather as a manifestation of alignment between external institutional pressures and the company's internal capabilities. By integrating various theoretical perspectives including stakeholder, legitimacy, institutional, voluntary disclosure, agency, signaling, slack resources, and ethical virtues model theory, this study demonstrates that the quality of sustainability reporting is highly determined by the effectiveness of governance, the ethical orientation of leadership, resource capacity, and the company's ability to internalize sustainability into its decision-making and managerial control systems.

The main finding of this study confirms that increased adoption of sustainability reporting does not automatically imply improved information quality. Without substantive integration into governance structures, organizational culture, and strategic processes, sustainability reporting risks remaining symbolic. Therefore, the main conceptual contribution of this study lies in the development of an integrative framework capable of explaining the variation in the quality of sustainability reporting thru the interaction of internal and external factors, while also bridging the gap in the literature, which has been fragmented and tends to place the determinants of sustainability reporting separately.

Theoretically, this research enriches the understanding of sustainability reporting as a dynamic and strategic organizational process, rather than merely a compliance reporting requirement. Practically, these findings imply that improving the quality of sustainability reporting requires more than just standard compliance; it necessitates strengthening governance, sustainability-oriented leadership, and integrating sustainability reporting into the company's management and decision-making systems.

Nevertheless, this study also opens up avenues for further research. Future empirical research is needed to more deeply examine how internal and external stakeholders assess the effectiveness of each sustainability reporting determinant, and to what extent these factors actually improve decision quality and public trust. Additionally, a qualitative approach can be used to further explore the differences between formal adoption and substantive reporting, as well as to identify the organizational and institutional conditions that promote more credible, meaningful, and impactful sustainability reporting

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