

Sustainability Reporting and Environmental Innovation in Enhancing Corporate Reputation: A Systematic Literature Review

Shinta Aini, Siti Mutmainah

Universitas Diponegoro, Indonesia

Email: shinta.aini70@gmail.com, sitimutmainah@lecturer.undip.ac.id

ABSTRACT

Climate change and stakeholder pressure have driven companies to adopt sustainability strategies, including sustainability reporting and environmental innovation. Both are considered effective in enhancing corporate reputation amid growing public awareness of social and environmental responsibility. This study aims to systematically review scholarly literature that discusses the influence of sustainability reporting and environmental innovation on corporate reputation. The method used is a Systematic Literature Review (SLR) with a descriptive qualitative approach, identifying 25 articles from leading scientific databases published between 2021 and 2025. The results show that both variables positively influence corporate reputation, whether examined separately or in an integrated manner. The integration of sustainability reporting with environmental innovation is perceived to build a stronger public perception of a company's credibility and commitment to sustainability. Several factors, such as industry characteristics, regulatory pressure, organizational culture, and public perception, were found to moderate the strength of this influence. In conclusion, modern corporate reputation is largely shaped by how well a company combines transparency in reporting with tangible actions through continuous environmental innovation.

KEYWORDS sustainability reporting, environmental innovation, corporate reputation, systematic literature review, business sustainability



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International

INTRODUCTION

Global climate change, stakeholder pressure, and increasingly stringent environmental regulations encourage companies to be more open in managing the impact of their activities on the environment (Friske et al., 2023). The business world is now measured not only by economic success but also by the extent of its contribution to the sustainability of ecosystems and societies (Zimon et al., 2022). As a result, the issue of sustainability reporting is becoming increasingly central to long-term business strategies.

Sustainability reporting is one of the important instruments that demonstrates a company's accountability for its social and environmental responsibilities (Agu et al., 2024). This report generally covers three main aspects: environmental, social, and governance (ESG) (Van der Waal et al., 2021). The existence of sustainability reports reflects how a company responds to the external impacts of its operations, as well as the mitigation strategies it implements.

In addition to reporting, environmental innovation is also a strategic aspect of dealing with sustainability demands. Environmental innovation is no longer seen as a cost burden but rather as an investment in the company's future (Al-Shaer & Hussainey, 2022). Companies that create environmentally friendly processes, products, or technologies have the opportunity to increase efficiency while building a positive public image (Qayyum et al., 2023).

The company's reputation as an intangible asset now plays an important role in determining competitiveness. The image of a company that is considered socially and environmentally responsible is often a determining factor for investors, customers, and potential business partners (Shafiq et al., 2023). Therefore, sustainability communication strategies and innovative orientations toward the environment are crucial in shaping positive public perceptions.

Amid increasing awareness of sustainable business practices, the literature on sustainability reporting and environmental innovation continues to grow. However, a complete understanding of how these two elements interrelate with corporate reputation remains fragmented and lacks systematic organization. This raises the need to summarize and analyze previous findings within a comprehensive framework. This phenomenon illustrates a paradigm shift in the corporate world—from a purely profit-oriented approach to one that balances profitability and sustainability. Companies that can adapt to this trend are believed to have a greater chance of building a solid reputation, especially amid global market dynamics that are becoming increasingly sensitive to environmental and social issues (Opferkuch et al., 2021).

Various previous studies have examined the relationship between sustainability reporting, environmental innovation, and corporate reputation. For example, research by Kumar et al. (2022) found that comprehensive sustainability reporting increases public trust in companies. Meanwhile, Khunkaew et al. (2023) concluded that environmental innovation has a positive impact on stakeholder perceptions because it demonstrates a real commitment to the environment. Another study by Jayaraman et al. (2023) revealed that companies with a strong environmental reputation tend to receive positive responses from markets and investors. In addition, Hazaea et al. (2022) stated that the synergy between sustainability reporting and green innovation can significantly strengthen a company's image in the eyes of the public.

Based on the previous description, a research gap exists in the form of the absence of a systematic study specifically integrating sustainability reporting and environmental innovation in relation to corporate reputation. Most studies have treated these variables separately and have not produced a comprehensive mapping of their relationship. Therefore, this study aims to conduct a Systematic Literature Review to identify, analyze, and synthesize scientific findings related to the influence of sustainability reporting and environmental innovation on corporate reputation. The results of this study are expected to provide an in-depth theoretical understanding and serve as a foundation for the development of further research and managerial practices in building a sustainability-based corporate reputation.

METHOD

This study employed the *Systematic Literature Review* (SLR) method to examine the relationship between *sustainability reporting*, *environmental innovation*, and corporate reputation. The SLR approach was chosen to provide a comprehensive and systematic synthesis of previous scientific findings, enabling the identification of patterns, trends, and research gaps in a structured and transparent manner.

Data collection was conducted through searches of reputable databases, including Scopus, Web of Science, ScienceDirect, and Google Scholar. Keywords combined terms such as “*sustainability reporting*,” “*environmental innovation*,” “*corporate reputation*,” and

“company image.” The review included English and Indonesian publications from 2021–2025 in the form of scientific journal articles, proceedings, or research reports relevant to the topic.

Following the initial search, studies were screened by title, abstract, and keywords to ensure topic relevance. Articles that passed this stage were examined in full to assess their methodological quality and contribution to the research. Selection was based on inclusion and exclusion criteria, focusing on variable suitability, methodological clarity, and relevance to corporate reputation.

Data analysis was performed descriptively and thematically, grouping findings into major themes related to *sustainability reporting*, *environmental innovation*, and factors influencing corporate reputation. Literature mapping was developed to highlight dominant trends, limitations of prior research, and opportunities for future studies. This approach produced both a concise synthesis of existing literature and a conceptual contribution to the advancement of theory and practice in sustainability management.

RESULTS AND DISCUSSION

The results of a systematic review of 25 scientific articles that passed the selection show that sustainability reporting plays an important role in shaping a positive perception of the company. Many studies have revealed that transparent and consistent sustainability reporting can increase public trust, especially among investors and consumers. Companies that actively report on their environmental and social performance are considered more responsible and ethical in running their business.

On the other hand, environmental innovation has proven to be one of the effective strategies in strengthening the company's reputation. Innovations that focus on energy efficiency, waste reduction, and eco-friendly products are considered as indicators of a real commitment to sustainability. Some articles mention that companies that innovate in environmental aspects tend to gain a better image in the eyes of stakeholders.

In the results of the thematic synthesis, it was found that the integration of sustainability reporting and environmental innovation had a stronger effect on reputation than if it were done separately. Companies that not only report on sustainable activities, but also make real innovations, are considered more credible. This reinforces the finding that reputation is built not only from communication, but also from real actions.

Nevertheless, there is variation in results depending on the industry context and country. Some studies note that sectors with high environmental exposure, such as mining and energy, are more sensitive to sustainability issues. In addition, regulatory culture and social pressure also affect the relationship between the two variables to a company's reputation. These external factors are important in assessing the impact more comprehensively.

Overall, this study shows that sustainability reporting and environmental innovation are not just symbolic practices, but have a direct impact on the value of company perception. Both are an important part of reputation management strategies in an era that is increasingly concerned with environmental and social issues. These findings provide a conceptual basis that sustainability has become a strategic instrument in building a long-term reputation.

Sustainability Reporting as a Strategic Instrument in Building a Company's Reputation

Based on the results of the literature review, sustainability reporting has been identified as one of the strategic instruments in building a company's reputation in various industry sectors. Golgeci et al. (2021) stated that the existence of sustainability reports that contain environmental, social, and governance information can increase public trust in companies, especially among long-term oriented investors. In this context, sustainability reporting is not only seen as an administrative obligation, but as a strategic communication medium that reflects the company's values, commitments, and business direction towards sustainability issues.

Research by Farza et al. (2021) shows that transparency in sustainability reporting has a positive impact on the perception of customers and business partners. The report reveals environmental initiatives, such as carbon emission reduction and energy efficiency, as a form of corporate seriousness in responding to the climate crisis. This has a significant reputational effect, especially in industries that are under high regulatory pressure. Consistency and quality of reporting are the main keys in shaping a professional and socially responsible company image (Bosi et al., 2022).

Similar findings were also conveyed by Darnall et al. (2022) who emphasized the importance of international reporting standards such as the GRI (Global Reporting Initiative) in strengthening the credibility of sustainability reports. According to them, companies that follow global reporting guidelines tend to gain higher reputation recognition in the global market. Thus, the standards adopted not only play a role in the comparability between companies, but also directly affect the perception of reputation. Structured and accountable reporting gives the impression that the company is not greenwashing, but practicing real sustainability practices.

In addition, a study from Alam & Islam (2021) highlights that the reputation built through sustainability reporting has an impact not only externally, but also internally. Employees in companies who actively compile sustainability reports tend to have higher pride and loyalty because they feel like they are part of an organization that cares about the future. This indirectly strengthens the company's reputation from within, which is ultimately reflected in external interactions with customers, suppliers, and regulators. This means that sustainability reporting is not only a tool for public communication, but also a tool for forming a positive organizational culture.

Environmental Innovation and Its Implications for Corporate Reputation

The literature shows that environmental innovation plays an important role in creating a company's reputation excellence in the era of sustainability. According to Ahmad et al. (2024), companies that develop environmentally-based innovations, such as environmentally friendly technology and energy efficiency, tend to be more appreciated by consumers and investors. This innovation not only reflects environmental responsibility, but also becomes a symbol of the company's progress and competitiveness amid regulatory pressure and high public expectations of environmental issues.

Research from Abeysekera (2022) states that a company's reputation can be strengthened through an innovation strategy that is not only oriented towards green products, but also on cleaner and more energy-efficient production processes. They found that manufacturing companies that implemented sustainable production processes had a better

reputation in the eyes of stakeholders than companies that did not make significant environmental innovations. Therefore, reputation is determined not only by the result that consumers see, but also by internal processes known through the media, reports, or third-party audits.

In another study, Vuong and Bui (2023) emphasized the importance of radical green innovation, which is innovation that brings fundamental changes in a company's business model towards full sustainability. They found that companies that undertook a comprehensive environmentally-based transformation often received higher reputation recognition than companies that only engaged in incremental innovation. This is because major changes are considered more authentic and reflect a long-term strategic commitment to environmental protection and social sustainability.

Meanwhile, Quintana-García et al. (2022) added that environmental innovation can also function as a tool to mitigate reputational risks, especially in industrial sectors that are prone to pollution and environmental impacts. Companies that are proactive in creating green solutions often manage to avoid reputational crises due to public pressure or negative news. This study emphasizes that a good reputation is not only built through external communication, but also through tangible actions relevant to the sustainability values that are developing in society. Green innovation is a form of proof that companies not only talk, but also act (D'Adamo, 2023).

Factors Affecting the Relationship of Sustainability Reporting and Environmental Innovation to Company Reputation

Although sustainability reporting and environmental innovation generally contribute positively to a company's reputation, previous studies have shown that these influences are not uniform. There are several contextual factors that moderate or mediate the strength of the relationship between these variables. These factors include industry characteristics, regulatory pressures, organizational culture, and public perception of environmental issues. Here are some of the key factors identified in this systematic review.

1. Industry Characteristics

Research by Tiscini et al. (2022) shows that the influence of sustainability reporting and green innovation on reputation is more significant in industries that have a high environmental impact, such as energy, mining, and heavy manufacturing. In contrast, in the services or finance sector, the reputational contribution of sustainability activities tends to be lower because public expectations of environmental responsibility are not as strong as in the natural resource-based sector.

2. Regulatory Pressures

A study by Phelan et al. (2022) found that countries with strict regulatory systems towards the environment, such as the European Union, tend to encourage companies to adopt sustainability reporting and environmental innovation more seriously. This is in contrast to developing countries, where weak supervision and legal sanctions make companies often carry out symbolic reporting. Regulatory pressures affect the depth and quality of implementation, which ultimately impacts the reputation built.

3. Organizational Culture

In the findings of Mazzucchelli et al. (2022), organizational culture that supports sustainability values internally is a determining factor for the effectiveness of sustainability reporting and environmental innovation. Companies with cultures that value transparency, social responsibility, and innovation tend to generate stronger reputations because sustainability practices are run with belief, not just obligation. It is this culture that maintains consistency between reporting and real action on the ground.

4. Public Perception of Environmental Issues

Research from Kim et al. (2021) reveals that public perception greatly influences the reputational impact of sustainability activities. In a society that has a high awareness of environmental issues, companies will be more appreciated when they show concrete efforts in environmental conservation. In contrast, in areas with low environmental concerns, green reporting and innovation activities often do not have a significant reputational impact due to a lack of public appreciation.

Integration of Sustainability Reporting and Environmental Innovation as Corporate Reputation Strategy

Previous research has shown that sustainability reporting and environmental innovation not only have an individual impact on a company's reputation, but also reinforce each other when integrated as an overarching sustainability strategy. According to Khan et al. (2021) companies that not only report on their environmental performance, but also make real innovations in production processes and products, tend to gain stronger reputation recognition. This is because reputation is not shaped by narrative alone, but also by concrete actions that demonstrate a long-term commitment.

In a study by Hronová & Špaček (2021), it was found that sustainability reporting that reflects actual environmental innovation practices is considered more credible by stakeholders. When sustainability reports include tangible evidence of innovations such as the use of renewable energy or technology-based waste management, the perception of company honesty and integrity increases. This integration resulted in a reputation that was not only image-positive, but also enduring in the long term because it was backed by an operationally strong foundation.

A study from Chang and Wang (2022) also confirms that companies with a high level of integration between reporting and green innovation have a reputation advantage over companies that focus on only one aspect. They argue that modern stakeholders, especially institutional investors and millennials, are increasingly critical of symbolic sustainability practices. Therefore, the integration between transparency and innovation is the main requirement for a sustainable reputation that is not easily shaken by negative issues.

Furthermore, research by Hao et al. (2023) shows that the integration between sustainability reporting and environmental innovation is also able to create differentiation in the market. Companies that are able to strategically communicate green innovations in their sustainability reports not only improve their reputation, but also create competitive added value. This shows that sustainability is not just a social responsibility, but also a measurable and targeted reputation and business strategy.

Research Implications

The results of this study have several important implications that can be used as a reference for business practitioners, policymakers, and academics. These implications relate to the company's strategy in building a reputation through an integrated approach to sustainability between environmental reporting and innovation.

1. Implications for Companies

Companies need to view sustainability reporting and environmental innovation as a single strategy, not as a stand-alone effort. By integrating the two, companies can not only increase transparency, but also strengthen their position as responsible business actors. This encourages long-term trust from stakeholders and increases the chances of gaining customer loyalty as well as investor support.

2. Implications for Regulators and Governments

The results of this study show the importance of regulations that encourage companies to not only report sustainability data, but also show evidence of real innovation in environmental aspects. The government can design incentive or reward policies for companies that integrate green reporting and innovation, thereby creating a business ecosystem that supports the transformation towards overall sustainability.

3. Implications for the Academic World

For academics, these findings provide the basis for developing a new conceptual model that combines aspects of reporting and innovation in the formation of a company's reputation. Further studies can be directed to empirical testing of the integration of these variables in different sectors and country contexts. In addition, the development of sustainability-based reputation measurement instruments is also an opportunity for relevant and applicable academic contributions.

CONCLUSION

This systematic study concludes that sustainability reporting and environmental innovation have a significant role in shaping and strengthening a company's reputation. When the two approaches are strategically integrated, companies are not only seen as more responsible, but also more innovative and relevant in the face of sustainability challenges. Factors such as industry characteristics, regulatory pressures, organizational culture, and public perception also influence the effectiveness of the relationship. Overall, the company's reputation in the modern era is heavily influenced by its commitment and concrete actions to sustainability. Further efforts are needed by companies to build strong integration between sustainability reporting and environmental innovation in their business strategies. This practice should not only be focused on fulfilling obligations, but should be made part of the company's core values. For further researchers, it is recommended to empirically examine the relationship and influence of these variables in different industry contexts to gain a deeper and more specific understanding of the success factors of sustainability-based reputation strategies.

REFERENCES

- Abeysekera, I. (2022). A framework for sustainability reporting. *Sustainability Accounting, Management and Policy Journal*, 13(6), 1386-1409.

Sustainability Reporting and Environmental Innovation in Enhancing Corporate Reputation: A Systematic Literature Review

- Agu, E. E., Iyelolu, T. V., Idemudia, C., & Ijomah, T. I. (2024). Exploring the relationship between sustainable business practices and increased brand loyalty. *International Journal of Management & Entrepreneurship Research*, 6(8), 2463-2475.
- Ahmad, H., Yaqub, M., & Lee, S. H. (2024). Environmental-, social-, and governance-related factors for business investment and sustainability: A scientometric review of global trends. *Environment, Development and Sustainability*, 26(2), 2965-2987.
- Al-Shaer, H., & Hussainey, K. (2022). Sustainability reporting beyond the business case and its impact on sustainability performance: UK evidence. *Journal of Environmental Management*, 311, 114883.
- Alam, S. S., & Islam, K. Z. (2021). Examining the role of environmental corporate social responsibility in building green corporate image and green competitive advantage. *International Journal of Corporate Social Responsibility*, 6(1), 8.
- Bosi, M. K., Lajuni, N., Wellfren, A. C., & Lim, T. S. (2022). Sustainability reporting through environmental, social, and governance: A bibliometric review. *Sustainability*, 14(19), 12071.
- Darnall, N., Ji, H., Iwata, K., & Arimura, T. H. (2022). Do ESG reporting guidelines and verifications enhance firms' information disclosure?. *Corporate Social Responsibility and Environmental Management*, 29(5), 1214-1230.
- D'Adamo, I. (2023). The analytic hierarchy process as an innovative way to enable stakeholder engagement for sustainability reporting in the food industry. *Environment, Development and Sustainability*, 25(12), 15025-15042.
- Farza, K., Ftiti, Z., Hlioui, Z., Louhichi, W., & Omri, A. (2021). Does it pay to go green? The environmental innovation effect on corporate financial performance. *Journal of Environmental Management*, 300, 113695.
- Friske, W., Hoelscher, S. A., & Nikolov, A. N. (2023). The impact of voluntary sustainability reporting on firm value: Insights from signaling theory. *Journal of the Academy of Marketing Science*, 51(2), 372-392.
- Golgeci, I., Makhmadshoev, D., & Demirbag, M. (2021). Global value chains and the environmental sustainability of emerging market firms: a systematic review of literature and research agenda. *International Business Review*, 30(5), 101857.
- Hao, X., Fu, W., & Albitar, K. (2023). Innovation with ecological sustainability: does corporate environmental responsibility matter in green innovation?. *Journal of Economic Analysis*, 2(3), 21-42.
- Hazaea, S. A., Zhu, J., Khatib, S. F., Bazhair, A. H., & Elamer, A. A. (2022). Sustainability assurance practices: A systematic review and future research agenda. *Environmental Science and Pollution Research*, 29(4), 4843-4864.
- Hronová, Š., & Špaček, M. (2021). Sustainable HRM practices in corporate reporting. *Economies*, 9(2), 1-34.
- Jayaraman, K., Jayashree, S., & Dorasamy, M. (2023). The effects of green innovations in organizations: influence of stakeholders. *Sustainability*, 15(2), 1133.
- Khan, P. A., Johl, S. K., & Johl, S. K. (2021). Does adoption of ISO 56002-2019 and green innovation reporting enhance the firm sustainable development goal performance? An emerging paradigm. *Business Strategy and the Environment*, 30(7), 2922-2936.

- Khunkaew, R., Wichianrak, J., & Suttipun, M. (2023). Sustainability reporting, gender diversity, firm value and corporate performance in ASEAN region. *Cogent Business & Management*, 10(1), 2200608.
- Kim, E., Duffy, M., & Thorson, E. (2021). Under the influence: Social media influencers' impact on response to corporate reputation advertising. *Journal of Advertising*, 50(2), 119-138.
- Kumar, K., Kumari, R., Nandy, M., Sarim, M., & Kumar, R. (2022). Do ownership structures and governance attributes matter for corporate sustainability reporting? An examination in the Indian context. *Management of Environmental Quality: An International Journal*, 33(5), 1077-1096.
- Mazzucchelli, A., Chierici, R., Del Giudice, M., & Bua, I. (2022). Do circular economy practices affect corporate performance? Evidence from Italian large-sized manufacturing firms. *Corporate Social Responsibility and Environmental Management*, 29(6), 2016-2029.
- Opferkuch, K., Caeiro, S., Salomone, R., & Ramos, T. B. (2021). Circular economy in corporate sustainability reporting: A review of organisational approaches. *Business Strategy and the Environment*, 30(8), 4015-4036.
- Phelan, A. A., Meissner, K., Humphrey, J., & Ross, H. (2022). Plastic pollution and packaging: Corporate commitments and actions from the food and beverage sector. *Journal of Cleaner Production*, 331, 129827.
- Shafiq, M. A., Ziaullah, M., Siddique, M., Bilal, A., & Ramzan, M. (2023). Unveiling the sustainable path: Exploring the nexus of green marketing, service quality, brand reputation, and their impact on brand trust and purchase decisions. *International Journal of Social Science & Entrepreneurship*, 3(2), 654-676.
- Tiscini, R., Martiniello, L., & Lombardi, R. (2022). Circular economy and environmental disclosure in sustainability reports: Empirical evidence in cosmetic companies. *Business Strategy and the Environment*, 31(3), 892-907.
- Qayyum, A., Jamil, R. A., & Sehar, A. (2023). Impact of green marketing, greenwashing and green confusion on green brand equity. *Spanish Journal of Marketing-ESIC*, 27(3), 286-305.
- Quintana-García, C., Marchante-Lara, M., & Benavides-Chicón, C. G. (2022). Towards sustainable development: Environmental innovation, cleaner production performance, and reputation. *Corporate Social Responsibility and Environmental Management*, 29(5), 1330-1340.
- Van der Waal, J. W., Thijssens, T., & Maas, K. (2021). The innovative contribution of multinational enterprises to the Sustainable Development Goals. *Journal of Cleaner Production*, 285, 125319.
- Vuong, T. K., & Bui, H. M. (2023). The role of corporate social responsibility activities in employees' perception of brand reputation and brand equity. *Case Studies in Chemical and Environmental Engineering*, 7, 100313.
- Zimon, G., Arianpoor, A., & Salehi, M. (2022). Sustainability reporting and corporate reputation: the moderating effect of CEO opportunistic behavior. *Sustainability*, 14(3), 1257.