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SYSTEMATIC LITERATURE REVIEW ON FINANCIAL PERFORMANCE AS ONE OF THE MAIN DRIVERS TOWARDS SUSTAINABLE INVESTMENT

Revisão sistemática da literatura sobre o desempenho financeiro como um dos principais direcionadores para o investimento sustentável

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ABSTRACT

As the global financial landscape is changing and sustainable investments are increasing in importance, it is important to delve into the finer details of sustainable investments. This systematic review is based on empirical and theoretical studies from the Scopus database, aimed to address the following research question: What are the key themes, financial implications, and drivers of sustainable investment. A total of 697 publications were reviewed between 2018 and 2023, there was an increase in sustainable investment studies over this period, indicating the growing relevance of sustainable investments. Most of these publications focused on the relationship between sustainable investments and financial performance, sidelining publications based on the driving forces and motivations behind sustainable investments. Key findings highlighted that firms that adopt sustainable practices improve their ethical standing, but also gain financially. The systematic review also highlights that there is a positive relationship between ESG and financial performance and that in the cases where a negative relationship was found, it was due to not enough institutional support for ESG initiatives. There is also an influence of internal factors and external pressures that act as a catalyst toward sustainable investments. However, as most publications focused on financial implications, as opposed to the drivers and motivations behind sustainable investments, there appears to be a gap in the literature. As sustainable investments continue to gain popularity among investors, a holistic research approach needs to be taken, which includes financial implications and investment motivations; this is crucial to help investors make informed decisions.

Keywords: Sustainable Investment, Financial Performance, ESG, Drivers, Regulatory Demands, JEL classification: D20, G20, Q01.

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REVISÃO SISTEMÁTICA DA LITERATURA SOBRE O DESEMPENHO FINANCEIRO COMO UM DOS PRINCIPAIS DIRECIONADORES PARA O INVESTIMENTO SUSTENTÁVEL

Systematic literature review on financial performance as one of the main drivers towards sustainable investment

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RESUMO

À medida que o cenário financeiro global está mudando e os investimentos sustentáveis estão aumentando em importância, é importante se aprofundar nos detalhes mais finos dos investimentos sustentáveis. Esta revisão sistemática baseia-se em estudos empíricos e teóricos da base de dados Scopus, com o objetivo de abordar a seguinte questão de pesquisa: Quais são os principais temas, implicações financeiras e direcionadores do investimento sustentável. Um total de 697 publicações foram revisadas entre 2018 e 2023, houve um aumento nos estudos de investimentos sustentáveis nesse período, indicando a relevância crescente dos investimentos sustentáveis. A maioria dessas publicações enfocou a relação entre investimentos sustentáveis e desempenho financeiro, deixando de lado as publicações baseadas nas forças motrizes e motivações por trás dos investimentos sustentáveis. Os principais resultados destacaram que as empresas que adotam práticas sustentáveis melhoram sua posição ética, mas também ganham financeiramente. A revisão sistemática também destaca que há uma relação positiva entre ESG e desempenho financeiro e que, nos casos em que foi encontrada uma relação negativa, isso se deveu à falta de apoio institucional suficiente para iniciativas ESG. Há também a influência de fatores internos e pressões externas que atuam como catalisadores de investimentos sustentáveis. No entanto, como a maioria das publicações se concentrou nas implicações financeiras, em oposição aos direcionadores e motivadores por trás dos investimentos sustentáveis, parece haver uma lacuna na literatura. À medida que os investimentos sustentáveis continuam a ganhar popularidade entre os investidores, é necessário adotar uma abordagem holística de pesquisa, que inclua implicações financeiras e motivações de investimento; Isso é crucial para ajudar os investidores a tomar decisões informadas.

Palavras-chave: Investimento Sustentável, Desempenho Financeiro, ESG, Direcionadores, Demandas Regulatórias, Classificação JEL: D20, G20, Q01.

INTRODUCTION

The global financial landscape has changed tremendously in the last few decades, as sustainable investments have attracted a great deal of interest from investors and have grown significantly in popularity (Epstein & Yuthas, 2017). Investors are moving away from focussing only on financial metrics but rather including sustainability in their investment strategies. A sustainable investment strategy would include factoring in environmental, social, and governance issues, broadly known as ESG. ESG which can include climate change, inequality, governance issues, and resource depletion are all broader social issues that the world faces; these social issues have led to sustainable investment, which aims to solve such social and ecological problems (Talan & Sharma, 2019). When diving deeper into sustainable investment, there are various sustainable investment strategies which include: thematic funds, best-in-class, norm-based screening, exclusion, engagement and voting, integration, and impact investing.
Investors and fund managers continuously seek new opportunities and trends to diversify their portfolios and be more profitable. Some studies have highlighted the benefits of investing sustainably, including stronger financial performance, better risk management, and positive social and environmental impact (Duque-Grisales & Aguilera-Caracuel, 2019; Friede *et al.*, 2015). Among these benefits, the ability of sustainable investment to provide better diversification can be viewed as a significant benefit because it enables investors to reduce portfolio risk and achieve greater risk-adjusted returns. Prior research has highlighted various aspects of sustainable investment, such as why and how investors use ESG information (Amel-Zadeh & Serafeim, 2018a), the role that ESG plays during a financial crisis (Broadstock *et al.*, 2021) and the link between ESG and financial performance (Duque-Grisales & Aguilera-Caracuel, 2019). However, these studies have all taken a fragmented approach and do not highlight the overall importance of sustainable investment as an emerging trend, its driving forces and financial implications. This study aims to address this gap by providing a comprehensive understanding of sustainable investment, what motivates investors to value sustainability, and the potential financial impacts of sustainable investment. Given the exponentially growing nature of sustainable investment, it is essential to conduct a systematic review of the literature that encompasses existing research on the importance and value of investing sustainably. It is crucial to have an understanding of sustainable investment within the broader financial system, since there are numerous benefits to sustainable investment. Understanding the role of sustainability within the global financial landscape will provide investors with great insight into sustainable investment and how it can be implemented in portfolios.

1 Literature Review

1.1 Defining Key Terms

As sustainable investment has become more popular, it is essential that the term ‘sustainable investment’ is adequately defined. Talan and Sharma (2020:353) define sustainability as ‘the integration of environmental, social, and governance factors (ESG) into investment decision making'. Similarly, Busch, Bauer, and Orlitzky (2015) define sustainable investment as “a generic term for investments that seek to contribute to sustainable development by integrating long-term ESG criteria into investment decisions”. While Urban and Wójcik (2019) also define sustainable investment similarly 'finance that protects the fundamental right of 'all human beings' to 'an environment suitable for their health and well-being' and safeguards intergenerational equity. We also use the environmental, social and governance (ESG) nomenclature to refer to specific dimensions of sustainable finance when needed’.
When looking at how previous studies have defined 'sustainable investment', we can deduce a common theme: environmental, social, and governance all appear within the definitions of 'sustainable investment'. To improve understanding of what 'sustainable investment' is, ESGs should also be defined as they go hand in hand. Cunha, Meira and Orsato (2021:3821) define ESG as: “ESG investment highlights the environmental and social components of investment strategies, but also includes a third, corporate governance, which is important to ensure that investors' socio-environmental concerns are effectively considered by the managers of the investment companies”.

Additionally, it should be known that the term “sustainable investment” may be the new buzzword of the last few years. However, the concept of sustainable investment has been around for many years and has been previously known as 'low carbon investment', 'climate finance', and even 'responsible investment'.

1.2 Sustainable Investment and Financial Performance

The link between sustainable performance (which includes ESG factors) and financial performance has been significantly researched. There are two different views on the link between sustainable investment and financial performance. Evidence increasingly suggests that there is a strong correlation between companies having a high ESG score and strong financial performance (Pedersen *et al.*, 2021), and this contradicts the idea that having a high ESG score costs a company in terms of its financial performance (Duque-Grisales & Aguilera-Caracuel, 2019).

1.2.1 Positive Relationship Between ESG and Financial Performance

ESG factors can be recognised as a vital component that influences a company's financial performance. Multiple empirical studies have studied this relationship, providing significant evidence for the implications of ESG on financial performance. Pederson, Fitzgibbons, and Pomorski (2021) used a data set with more than 5000 equities from 20 developed markets over a 15-year period, and this study found that there is a positive relationship between companies with a high ESG score and investment returns, meaning that equities with a higher ESG score have higher returns opposed to companies with lower ESG scores. The study also found that equities with a high ESG score are more likely to outperform the market during high periods of volatility, and this would indicate that equities with high ESG scores are able to mitigate risk better than equities with low ESG scores while also being more resilient to financial shocks, as they performed stronger during periods of high volatility.

Complementing this perspective, a study by Xie, Nozawa, Yag, Fujii, and Managi (2019) highlights that companies that commit to human rights policies and engage in social activities such as volunteering and making charitable donations display higher corporate efficiency. This efficiency which stems from ESG activities may influence financial outcomes. This highlights the financial advantages of ESG commitments for companies.
Furthermore, another comprehensive study found a consistent relationship between ESG and financial performance (Friede *et al.*, 2015), this study reviewed a multitude of empirical studies and found consistent results, solidifying the case for ESG investment. The study notably highlighted regional differences in terms of ESG investment and financial performance, since the study based on North America had a higher share of positive results compared to Asia. Not only does the study complement the findings of Pederson, Fitzgibbons, and Pomorski (2021), the study also refines the discussion by highlighting that portfolio-related studies may, sometimes reflect A neutral or mixed ESG and financial performance relationship due to factors such as overlapping market risks and nonmarket risks or implementation costs.

1.2.2 Negative Relationship Between ESG and Financial Performance

On the other hand, some studies have found a negative relationship between ESG scores and financial performance (Duque-Grisales & Aguilera-Caracuel, 2019). Duque-Grisales and Aguilera-Caracuel (2019) analysed a set of 104 multinational companies based in Latin America from 2011-2015, and this study found that multinational firms with the best ESG scores tend to be less profitable due to costs incurred while implementing ESG initiatives, and this is due to there not being enough institutional support for these initiatives. The study also states that the poor financial performance of these companies could be due to them burning through their cashflows while performing ESG initiatives. Additionally, the study also looked at ESG factors individually and tried to determine which factor was more correlated with poor financial performance. The study found that social scores have the most significant negative impact on financial performance compared to environmental and governance scores.

1.2.3 ESG Disclosure Differences: Developed vs Developing Countries

Duque-Grisales and Aguilera-Caracuel (2019) state that policymakers should encourage companies to adopt ESG practices by creating incentive programs such as subsidies or tax breaks, and this could help some companies improve their ESG scores while increasing their financial performance, and this links to a study conducted by Singhania and Saini (2021), which found a significant difference between developed and developing countries ESG disclosure frameworks. The study found that developed countries have a more comprehensive ESG disclosure framework. While an ESG framework exists for developing countries, it is not as extensive as the framework outlined by developed countries. Singhania and Saini (2021) highlight specific differences in the ESG disclosure frameworks between developed and developing countries, which are:

1. Disclosure requirements: Developed countries have much more comprehensive and well-developed disclosure requirements that cover a wide range of ESG issues that affect environmental, social, and governance issues. Although developing countries have limited disclosure requirements, they may only relate to specific ESG issues such as the environment.
2. Mandatory disclosure: Although ESG requirements in developed countries may be mandatory, that may not be the case for developing countries. This means that companies in developing countries must disclose their ESG information by regulation. However, they may do so voluntarily.
3. Regulatory enforcement: Developed countries tend to enforce ESG disclosure requirements more robustly than developing countries, which tend to have weaker disclosure requirements.

To add to this, a study by Xie, Nozawa, Yag, Fujii, and Managi (2019) highlights the tangible benefits of clearly defined ESG information disclosure. The study highlights that firms with greater transparency in their ESG activities have higher corporate efficiency. This study also reaffirms the important role of clearly defined ESG disclosure, as this not only drives efficiency but also has the potential to influence favourable financial performance.

The study by Singhania and Saini (2021) helps link the differences between the study by Pederson, Fitzgibbons and Pomorski (2021) and the study by Duque-Grisales and Aguilera-Caracuel (2019), in which both found differing results in terms of ESG scores and financial performance. The study by Duque-Grisales and Aguilera-Caracuel (2019) focuses on Latin American countries (developing countries) and the financial performance of companies relative to their ESG scores, which can be explained by the weak ESG disclosure requirements found by Singhania and Saini (2021). Although the study by Pederson, Fitzgibbons and Pomorski (2021) found strong financial performance relative to a company's ESG score, this study was carried out in 20 developed nations and this can also be explained by the study by Singhania and Saini (2021).

1.3 Drivers of Sustainable Investment

As the global financial landscape has changed, the rise of sustainable investment can be attributed to various factors which have formed from converging social, economic, and political ideologies. One of the main drivers of sustainable investment that can be the reason attributed to all these different factors is climate change. As the impacts of climate change become more prolific, from catastrophic weather events to significant losses in biodiversity, investors are becoming increasingly concerned with the risks posed to their investments (Blackrock, 2020). Therefore it should be of utmost importance to understand what is driving this trend in investing sustainably.

1.3.1 Financial Drives and Perceptions

When diving deeper into sustainable investments, it is important to consider the financial motives that underpin these investment decisions. Gutsche, Wetzel, and Ziegler (2023) highlight the importance of "pecuniary (financial) motives in the sustainable investment landscape. The anticipation of returns on investments has considerable influence on these decisions.

Furthermore, the perception of personal gain is another determinant (Palacios-González & Chamorro-Mera, 2018). A study by Palacios-Gonzalez and Chamorro-Mera (2018) highlights that individual beliefs about the potential financial performance of sustainable investments significantly impact their investment decisions. An intriguing aspect to consider is that this does not directly influence the intention to invest sustainably, but rather indirectly because of the shaping perceptions of sustainable investment.

Another layer that adds complexity is risk and diversification. Riedl and Smeets (2017) found that perceived risks with socially responsible investments do not play a significant role, and investors who have larger portfolios recognise the tangible value in diversifying with socially responsible investments, which highlights the financial motivations behind sustainable investments.

1.3.2 Motivational Drives Behind Sustainable Investment

The internal desire to have a positive impact on society or act ethically is, in itself, a key driver of sustainable investments. When looking at socially responsible mutual funds, intrinsic social preferences play an essential role (Riedl & Smeets, 2017). Riedl and Smeets (2017) found that investors who have a higher inclination toward social benefits are likely to invest in socially responsible mutual funds. This highlights the importance of individual preferences in shaping investment behaviour.

Furthermore, it should be important to note that investors do not only invest so that they realise societal benefits, there is also an inclination towards social signalling. According to Riedl and Smeets (2017), there is a narrative among investors to enhance their social image or reputation. That is, investors who often engage in discussions about their investments with their peers have a higher tendency to gravitate towards socially responsible investments, potentially leveraging this as a way to show off their social stature.

Going deeper into the psychological dimensions that affect what drives sustainable investment, there is a phenomenon called 'warm glow motives' (Gutsche *et al.*, 2023). Gutsche, Wetzel, and Ziegler (2023) define this as the satisfaction that an individual experiences when investing ethically. The study also states that satisfaction is not related to the tangible impact of their investment, but rather to the act itself of investing sustainably.

Lastly, altruistic and social preferences also serve as motivational drivers for sustainable investment. This is highlighted by the study by Gutsche, Wetzel, and Ziegler (2023), who found that people who have a higher sense of altruism show a desire to invest sustainably. The study also found that the primary motivation stems from a desire to contribute to society.

1.3.3 Societal and External Influences

Considering wider social and external factors when evaluating sustainable investments is essential. Palacios-Gonzalez and Chamorro-Mera (2018) highlight the significant role of the social environment and broader economic elements. These include elements such as a region's economic state, the public view, and trust in financial institutions, which greatly shape how people invest.

The influence of individual socioeconomic factors on investment choices was highlighted in a study by Riedl and Smeets (2017). Socioeconomic factors do not directly affect investment decisions; however, they contribute to the decision-making process when investing.

When considering sustainable investments, the importance of ratings must be considered. Gutsche, Wetzel, and Ziegler (2023) highlight that sustainability ratings, such as the Morning Star sustainability rating, are guides for investors when making investment decisions. These ratings influence investors towards choices that consider sustainability rather than only financial gain.

1.3.4 Environmental and Ethical Drives

The ethical and environmental beliefs of investors play an important role in the design of sustainable investment. Central to this is the importance of environmental values. Gutsche, Wetzel, and Ziegler (2023) highlight the concerns surrounding environmental damage and climate change that have a significant effect on sustainable investment. Investors who are influenced by these ideologies do not just view their investments as ways to earn profits, rather they view their investments as ways to promote a more sustainable and green future.

In addition to these strong environmental convictions, the personal habits of the investor also shape investment patterns. The connection between consumer behaviour and sustainable investment is significant. As highlighted in the study by Palacios-Gonzalez and Chamorro-Mera (2018), consumer behaviour and the habits of individuals heavily influence their investment preferences. Individuals who already have socially responsible consumption patterns, such as supporting eco-friendly brands or being part of environmental groups, tend to invest in more socially responsible ways.

1.3.5 Trust and Literacy in Sustainable Investment

Trust forms the foundation for any financial commitment, especially in the area of sustainable investment. Trust in sustainable entities, as highlighted in the study done by Gutsche, Wetzel, and Ziegler (2023), influences investment decisions. When investors have a high sense of trust in sustainable funds, they are much more likely to allocate a significant portion of their portfolio toward sustainable investments. Trust in sustainable investments comes from transparency, past performance, and the perceived ethical foundations of these sustainable investments. Furthermore, an important factor in investing sustainably is the role of financial literacy. Gutsche, Wetzel, and Ziegler (2023) highlight the importance of financial literacy in the sustainable investment landscape. Investors who have a broad understanding of finance, within the sustainable investment context, would lean towards a more non-financial rationale. Investor decisions would be based on aligning their investments with sustainable paradigms, which are motivated by their belief in having a greater and broader societal impact.

2 METHODOLOGY

2.1 Research method

The main objective of the study is to systematically catalogue the existing literature on sustainable investment to determine the underlying themes, implications on financial performance, and driving forces. A scoping method was adopted for this study due to the complexities of identifying and extracting overarching themes. The existing literature on sustainable investments has been fragmented; the study aims to highlight the comprehensive categorisation of sustainable investments for better investment strategies.

Two search tests were conducted using the Scopus database. The first search test revealed 678 Scopus publications, ranging from 2018 to 2023 using the search term “ESG AND financial performance”. The second search test used the search term 'Drivers AND Socially Responsible Investing', which revealed 19 publications and ranged from 2018 to 2023. These search results indicate that there is a growing interest in sustainable investment.

The study used a scoping review framework for the methodology developed by Arksey and O’Malley (2005). The framework involves five steps, namely:

Step 1: Identify the research question.
Step 2: Identify relevant studies.
Step 3: Selection of relevant studies
Step 4: Compiling the data into charts
Step 5: Compiling, synthesising and presenting the findings

The process from the initial search to the final selection of studies will be visually represented using the preferred reporting items for systematic reviews and meta-analysis (PRISMA) flow chart. The research question identified for the study is: What are the key themes, drivers, and implications of financial performance on sustainable investment as revealed by the systematic review of the literature?

2.2 Search strategy

A scoping review was used to unveil existing themes in sustainable investments. The review covered literature from 2018 on the Scopus database using key phrases “ESG AND Financial Performance” and “Drivers AND Socially Responsible Investment”. Publications amounting to 697 were revealed. The search strategy focused solely on original and peer-reviewed studies; the publication distribution is illustrated in Table 1.

Table 1 - Number of publications in Scopus on sustainable investments

Search Terms	Search Engine	2018	2019	2020	2021	2022	2023	Total
ESG AND "Financial Performance"	Scopus	17	38	46	68	171	338	678
"Socially Responsible Investing" AND "Drivers"	Scopus	1	2	4	3	5	4	19
Total		18	40	50	71	176	342	697

2.3 Synthesis of search results

A comparison of annually published articles on sustainable investment from 2018 to 2023 was analysed, revealing a total of 697 publications using the Scopus database. In 2018, 17 related publications were published on Scopus using the first search term and for the second search term, there was one publication published on Scopus. In 2019, 38 publications were published on Scopus using the first search term, and two publications were published using the second search term. In 2020, on the Scopus database, there were 46 publications published using the first search term and only four publications were published using the second search term. In 2021, 68 publications were published on Scopus using the first search term and three were published using the second search term. In 2022, 171 publications were published on Scopus using the first search term, and five were published using the second search term. In 2023, 338 publications were published using the Scopus database for the first search term, while only four publications were published for the second search term. This highlights an increase in interest in the field from 2018 to 2023, using the two search terms. However, it is evident that there is a greater interest in the relationship between sustainable investment and financial performance compared to the drivers of sustainable investment given the number of articles published. Chart 1 depicts the search synthesis of all the articles and Chart 2 depicts the total amount of annual articles published from 2018 to 2023.

Chart 1: Search synthesis of publications found

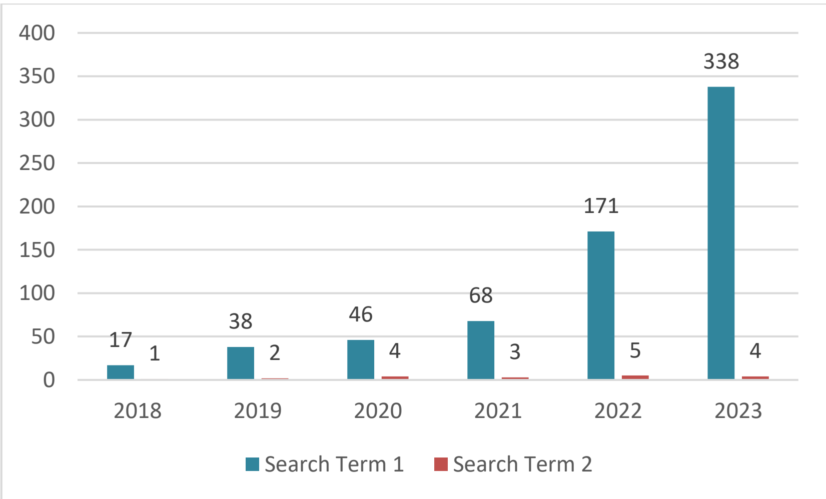
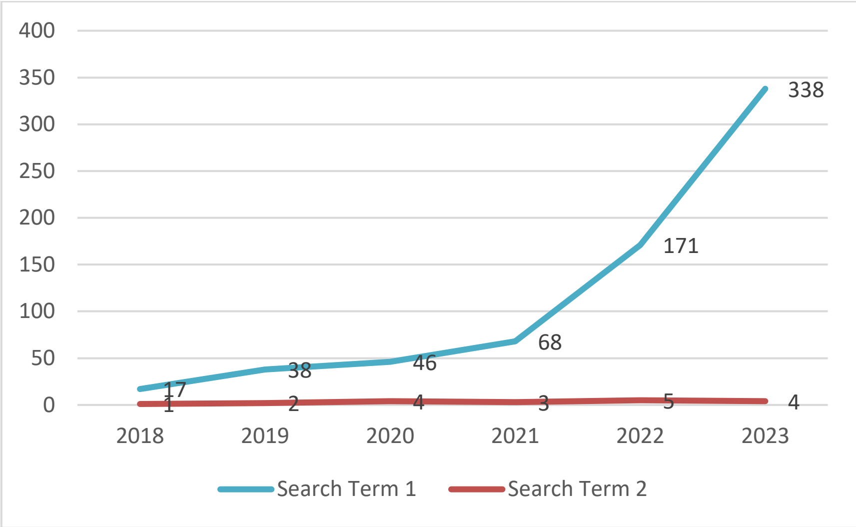


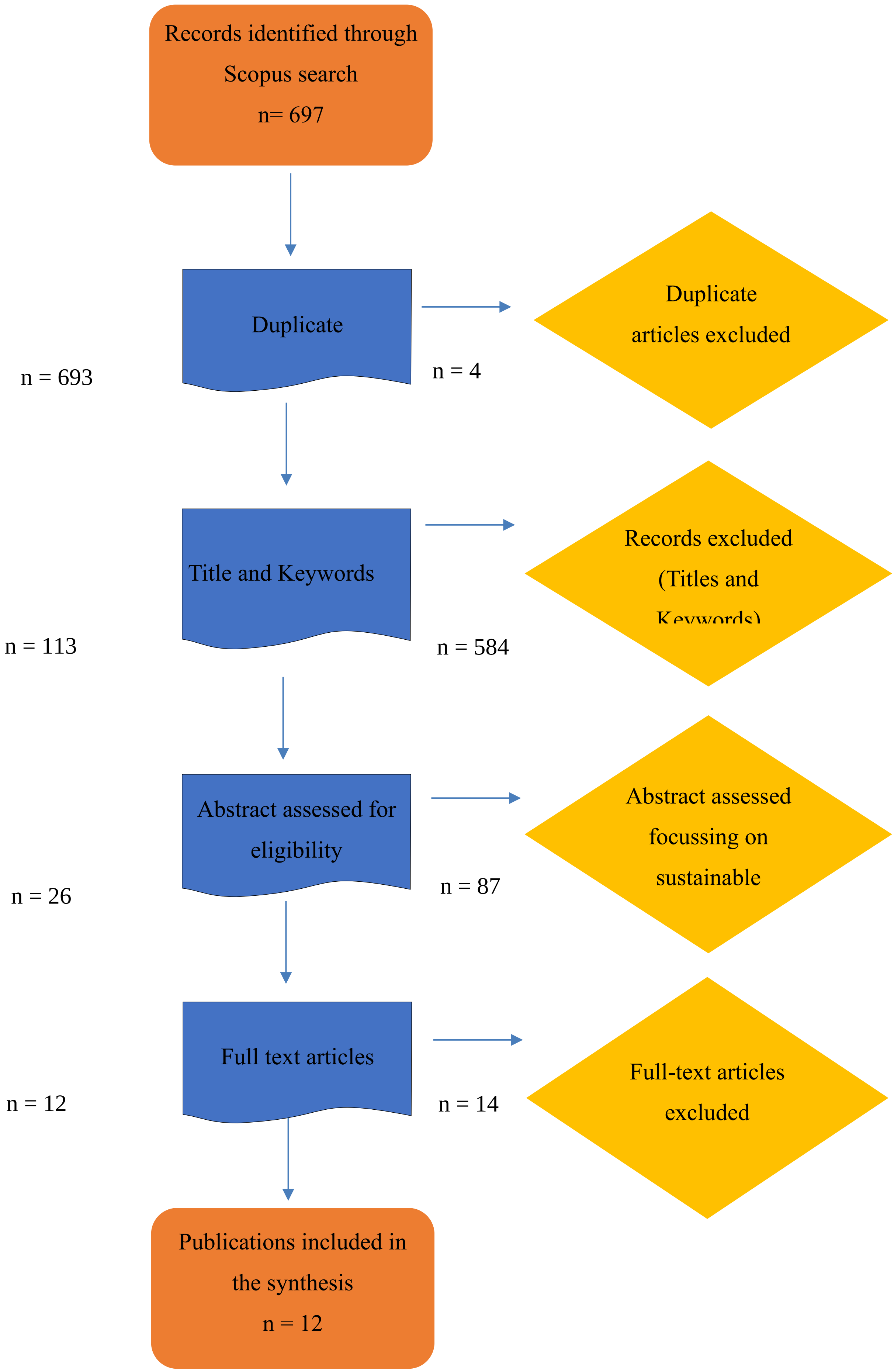
Chart 2: Total number of annual articles published annually



The descriptive search analysis showed that more publications on phrases "ESG AND Financial Performance" were published on Scopus, compared to publications published on "Drivers AND Socially Responsible Investment". The first search term has a total of 678 publications and the second search term has a total of 19 publications. The trend in the publications indicates that the interest in sustainable investment is continually growing with the highest amount of publications to be published in 2023.

A search for "ESG AND Financial Performance" and "Drivers AND Socially Responsible Investment" on Scopus from 2018 to 2023 revealed a total number of 697 publications, Of these 4 publications were excluded from the review process as they were duplicate publications. 693 articles remained for further review and exclusion. Upon further examination of the titles and keywords, 584 publications were excluded, resulting in a remainder of 113 publications. The abstracts of these publications were then evaluated for their relevance and fit to the study's criteria, thus leading to the further exclusion of 87 publications, leaving 26 publications to review. After completing a comprehensive full-text review focussing on specific themes, 10 more publications were excluded. Ultimately, 11 articles were found to be relevant for the systematic literature review synthesis. The Prisma flow chart of the final selection for the systematic review is illustrated in Flow Chart 1.

Flow chart 1 - PRISMA flow diagram of the search process



3 RESULTS

The systematic review was centred on and relied on theoretical and empirical studies examining sustainable investments, their drivers, and the potential impact on financial performance. A total of 697 publications were located in the Scopus database; of those 12 articles that were used to compile the study, these 12 publications highlight key trends and themes related to sustainable investment. The publication selection process highlights the in-depth scoping method used and also highlights the selected articles that provide a comprehensive perspective.

A significant observation derived from this review is the clear upward trend and interest in sustainable investments. In 2018 only 18 publications were published using both search terms; the field of sustainable investments then saw an acceleration in interest, as 342 publications were published by 2023. This upward trend highlights the importance and relevance of sustainable investments in both the academic and practical spheres.

Within this trend of the increase in the number of publications on sustainable investments, the majority of publications focused more on investigating the connection between sustainable investments and financial performance, which was 678 of the 697 publications. In comparison, only 19 articles looked at the drivers of sustainable investments. This huge disparity is an indication of a dominant narrative within this research field, which is prioritizing the financial implications of sustainable investments over the underlying causes.

In synthesising the 12 articles, a common trend was observed regarding the increasing recognition of sustainable investments as not only a socially responsible commitment but also a financially strategic one. Various studies within the selection highlighted that companies that integrated sustainable practices into their operational framework had the potential to achieve better financial results. Additionally, some publications highlighted external and internal pressures that act as a catalyst for entities gravitating towards sustainable investments.

However, despite growing interest, the systematic review also highlights several challenges in the field of sustainable investment. These challenges include barriers such as the lack of access to relevant financial instruments, regulatory restrictions, and understanding the correlation between ESG and financial performance emerged as recurring themes in multiple articles.

The systematic review also found insights into the relationship between ESG and financial performance. Most of the publications highlighted the strong correlation between ESG performance and financial gains. Companies that proactively incorporated sustainable practices often had improved market reputation, reduced operational costs, and increased profitability. In addition, investors view ESG scores as an indicator of long-term financial viability, thus reducing investment risks. Furthermore, firms that incorporated sustainable measures showed greater resilience during economic downturns, implying that ESG integration is more than just an ethical choice.

The systematic review also looked at the drivers of sustainable investment and found that investors were motivated by a variety of factors. External pressures such as regulatory demands and societal expectations, were key driving factors. However, internal factors also played an important role, such as corporate values, leadership beliefs, and stakeholder demands, playing a significant role in driving sustainable investment.

Table 2: Characteristics of Studies

Authors	Title	Objective	Method/Model	Main Finding	Limit of Study
Talan and Sharma (2019)	Doing Well by Doing Good: A Systematic Review and Research Agenda for Sustainable Investment	Systematically review 213 sustainable investment papers, identify ESG gaps, and explore research.	Systematic review	ESG integration faces reliability and institutional challenges. Explore a holistic, sustainable investment framework.	Only one database was used.
Busch *et al.* (2016)	Sustainable Development and Financial Markets: Old Paths and New Avenues	Investigate the role of financial markets in promoting sustainable business practices and identify challenges related to sustainable investments.	Theoretical Study	Sustainable investments require a long-term paradigm and improved trustworthiness of ESG data.	Empirical validation is limited.
Cunha *et al.* (2021)	Sustainable finance and investment: Review and research agenda	To systematically map and integrate the fragmented SFI literature, propose a comprehensive definition and framework for the SFI field.	Systematic Review	The study categorises groups, outlines challenges, provides information and offers guidance to improve SFI efforts.	The predominant focus on developed countries in the SFI literature is on developed countries.
Urban and Wójcik (2019)	Dirty Banking: Probing the Gap in Sustainable Finance	Explore sustainable finance paradox, offer a sociotechnical framework, analyse investment banks' sustainability integration, and promote responsible finance.	Mixed Research Method: Conceptual development and empirical analysis	The largest investment banks by net revenues have the largest market share of dirty net revenues.	Study shifts from best to malpractice, questioning "dirty corporations" definition for problem scope change.
Pedersen *et al.* (2021)	Responsible investing: The ESG-efficient Frontier	To develop a theory that explains the potential costs and benefits of ESG-based investing, its effect on portfolio choice and equilibrium asset prices, and empirically estimate these effects.	Empirical Study (Using CAPM Model)	The framework for ESG investing increases the Sharpe ratio; Governance-based ESG portfolios achieve ethical goals at small costs.	Realistic constraints shift the ESG-SR frontier; traditional screening may not be optimal; the model relies on investor-type importance.

Authors	Title	Objective	Method/Model	Main Finding	Limit of Study
Duque-Grisales and Aguilera-Caracuel (2019)	Environmental, Social, and Governance (ESG) Scores and Financial Performance of Multilatinas: Moderating Effects of Geographic International Diversification and Financial Slack	To analyse the relationship between the financial performance (FP) of multilatinas and their environmental, social, and governance (ESG) scores in the context of emerging markets.	Empirical Study: Resource-based view, institutional theory, and moderating effects.	Multilatinas with higher ESG scores are less profitable, possibly due to poor implementation of the ESG initiative.	Research focuses only on the Latin American context.
Xie *et al.* (2019)	Do environmental, social, and governance activities improve corporate financial performance?	Examine the relationship between corporate efficiency and corporate sustainability, especially concerning ESG issues and profitability.	Empirical Study: Data Envelopment Analysis and Nonlinear Regression	Moderate ESG disclosure boosts corporate efficiency; governance disclosure has the strongest positive effect.	Mixed relationships and symbolic adherence to policies might not benefit financial performance.
Friede *et al.* (2015)	ESG and financial performance: aggregated evidence from more than 2000 empirical studies	Analyse the impact of the ESG criteria on corporate financial performance.	Systematic review	ESG investment correlates positively with corporate financial performance.	Excludes primary studies after 2012.
Singhania and Saini (2021)	Institutional framework of ESG disclosures: comparative analysis of developed and developing countries	Determine the importance of the ESG framework during COVID-19 for future sustainability practices.	Systematic re]view	ESG scores influenced by environmental commitment and reporting	No empirical analysis and limited to only 13 countries
Gutsche *et al.* (2023)	Determinants of Individual Sustainable Investment Behaviour – A Framed Field Experiment	To analyse determinants of individual sustainable investment preferences.	Survey	The respondents preferred sustainable funds, driven by financial literacy, environmental values, and social norms.	Economic preferences and psychological traits had minor relevance.
Riedl and Smeets (2017)	Why do investors hold socially responsible mutual funds?	To understand why investors choose socially responsible mutual funds.	Combination of administrative investor data and survey	Investors prioritise social preferences over financial returns in SRI choices.	The study is based on Dutch investors.

Authors	Title	Objective	Method/Model	Main Finding	Limit of Study
Palacios-Gonzalez and Chamorro-Mera (2018)	Analysis of the predictive variables of the intention to invest in a socially responsible manner	To analyse variables explaining the intention to invest responsibly.	Survey	The intention to invest responsibly is influenced by three variables.	Nonprobabilistic sample.

4 DISCUSSION

The dynamics of sustainable investments have shifted over the past few decades, and this has been underscored in the study, which highlighted a fundamental transformation in its perception. Sustainable investments have traditionally been viewed as an ethical pursuit; however, the results of this study show that sustainable investments are also vital to financial performance. It can now be said that industries globally may not be viewing sustainable practices as an ethical add-on but as a key driver to their strategic growth. The acceleration in the number of publications from 2018 to 2023 further reiterates this narrative.

However, there appears to be a massive focus on the financial implications of sustainable investments, which is evident in the number of research publications on this topic, this hints at an emerging trend within academia and business. The overwhelming focus on the returns of sustainable investments overshadows the motivations and drivers behind sustainable investments. The contrast between the number of publications on the financial implications of sustainable investments versus the number of publications on the drivers of sustainable investments highlights a potential gap in the literature. This is an avenue that should be further explored, as a deeper understanding of the drivers of sustainable investments can provide comprehensive insights into the investor's thought process.

Diving deeper into the finer details, the findings on the relationship between ESG and financial performance are informative. Traditionally, ESG scores were linked to ethical commitments; these ESG scores now appear to be predictors of longer-term financial performance. This change can have a significant impact and influence on investor strategies, urging investors to view ESG criteria not just as benchmarks for portfolio compliance, but rather as a pathway to financial gains.

In addition, the intrinsic and extrinsic motivations behind sustainable investments provide a compelling narrative. External pressures such as regulatory demands play a vital role, however, internal pressures such as corporate values, leadership beliefs, and stakeholder demands appear to have a greater effect on the shift towards sustainable investments.

As sustainable investments continue to demand more attention, it is important that it is researched more holistically. Although understanding the relationship between ESG and financial performance remains extremely important, it is more difficult to dive into the motivations and drivers of sustainable investments.

5 CONCLUSION

Sustainable investments have emerged prominently in the global financial landscape over the past few decades, highlighting the need to understand the influence, drivers, and implications of sustainable investments. The themes that have categorised sustainable investment for efficient financial and ethical strategies have been largely unexplored. Previous research has focused mainly on the financial outcomes of sustainable investments, while only a small fraction of the research has been published on the motivations and drivers of sustainable investments. The aim of this study was to comprehensively look at the underpinnings of sustainable investments; achieving this would highlight the multifaceted nature of sustainable investments to assist with decision-making and development.

The systematic review made use of a scoping method, which analyzed the existing literature on sustainable investments. It explored publications published between 2018 and 2023, which saw a notable rise in the number of publications published on sustainable investments, indicating a growing interest in this topic. However, there was a major discrepancy; most of the studies focused only on the relationship between sustainable investments and financial performance. Diving deeper into the findings of the study, two predominant themes have been highlighted: first, companies that implement sustainable measures enhance their ethical standing but also benefit from financial advantages, and second, both internal and external pressures affect companies and act as catalysts in driving the trend towards sustainable investments.

By highlighting these themes, the systematic review offers an understanding of sustainable investments. By providing the motivations and drivers behind sustainable investments, it can equip investors with the necessary information to adopt strategies and policies that align with financial and ethical objectives. Sustainable investments are influenced by a number of factors, from corporate values to external pressures, which pave the way for creating tailor-made and effective strategies.

However, the study is not absent of limitations. The systematic review relied on the available publications from the Scopus database, therefore, potentially excluding other factors that could be shaping the landscape of sustainable investments. The majority of publications only focused on financial implications, while overlooking the drivers of sustainable investments, this could suggest a bias in the existing literature. Additionally, a systematic review could potentially benefit from empirical studies that look at the role of the drivers of sustainable investments and their financial implications, ensuring that there is a comprehensive understanding of this topic.

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