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Chief Sustainability Officers, Sustainability Governance, and Corporate Financial Performance

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Abstract−Increasing attention to *Environmental, Social, and Governance* (ESG) aspects has encouraged companies to strengthen sustainability governance through the establishment of Chief Sustainability Officer (CSO) positions. The existence of CSOs is seen as a strategic mechanism that is able to integrate sustainability goals into the company's decision-making process and support long-term value creation. However, research findings on the influence of CSOs on a company's financial performance still show mixed results. Therefore, this study aims to analyze the relationship between Chief Sustainability Officer, sustainability governance, and corporate financial performance. The study used the Narrative Literature Review (NLR) approach by analyzing ten Scopus indexed scientific articles published during the period 2020-2025. The analysis was carried out through *thematic synthesis* to identify the main themes, patterns of relationships between variables, and research gaps that are still open. The results of the study show that CSOs have an important role in strengthening ESG implementation, improving the quality of sustainability governance, and supporting corporate transparency and accountability. Effective sustainability governance contributes to improving a company's reputation, reducing risk, lowering capital costs, and creating long-term value that positively impacts a company's financial performance. In addition, the effectiveness of CSOs is heavily influenced by top management support and the integration of sustainability into corporate strategy. This research makes a conceptual contribution by integrating the perspectives of Upper Echelons Theory and Stakeholder Theory in explaining the relationship between CSO, sustainability governance, and corporate financial performance.

Keywords: Chief Sustainability Officer; Sustainability Governance; Corporate Financial Performance; ESG; Stakeholder Theory

1. INTRODUCTION

In recent years, sustainability issues have evolved from simply corporate social responsibility to an integral part of business strategy and corporate governance. The increasing attention of investors, regulators, customers, and the public to Environmental, Social, and Governance (ESG) aspects encourages companies to integrate sustainability goals into strategic decision-making processes. These changes are not only influenced by increasingly stringent regulatory demands, but also by the growing awareness that sustainability can be a source of competitive advantage and long-term value creation for companies (Eccles et al., 2020; Flammer, 2021).

As the complexity of ESG implementation increases, many companies are beginning to restructure governance by establishing dedicated executive positions responsible for the sustainability agenda. One of the most notable developments is the emergence of Chief Sustainability Officers (CSOs) as part of the company's top management ranks. CSOs are responsible for coordinating sustainability strategies, integrating ESG goals into business operations, and ensuring alignment between stakeholder interests and the company's economic goals. The presence of CSOs reflects the transformation of corporate governance towards a model that is more oriented towards sustainability and long-term value creation (Fu et al., 2023).

From the perspective of corporate governance theory, the existence of CSOs can be explained through the Upper Echelons Theory which states that the characteristics, values, and decisions of top management have a significant influence on the strategic direction and performance of the organization. In this context, CSOs play the role of strategic actors who are able to influence the company's sustainability policies and integrate ESG goals into corporate strategies (Hambrick & Mason, 1984). In addition, Stakeholder Theory explains that the company must create value not only for shareholders but also for all stakeholders affected by the company's business activities. Therefore, the existence of CSOs is seen as a governance mechanism that can strengthen the company's relationship with various stakeholder groups (Freeman et al., 2020).

Nonetheless, the effectiveness of CSOs in improving the company's financial performance is still debated in the academic literature. Some research shows that companies with CSOs tend to have better quality sustainability reporting, a stronger corporate reputation, and easier access to ESG-oriented funding sources. The existence of CSOs is also associated with increased transparency, more effective risk management, and reduced capital costs due to increased investor confidence in the company's sustainability commitments (Velte, 2023; Brochet et al., 2022).

However, other research shows that the financial benefits of CSOs don't always appear in the short term. The appointment of a CSO often requires additional investment, changes in organizational structure, as well as a complex integration process between sustainability goals and business goals. In some cases, the existence of CSOs is even seen as a symbolic act (*greenwashing* or *tokenism*) if it is not supported by adequate strategic authority and a strong organizational commitment to sustainability (Miller & Serafeim, 2021). This condition causes the results of research on the relationship between CSOs and the company's financial performance to still show mixed findings.

Previous research has examined various aspects related to sustainability leadership and corporate performance. Fu et al. (2023) found that the existence of CSOs can increase the effectiveness of ESG implementation and strengthen the company's legitimacy in the eyes of investors. Velte (2023) shows that strong sustainability governance has a positive relationship with the quality of sustainability reporting and company value. Meanwhile, Brochet et al. (2022) found that companies with more mature ESG governance structures tend to have lower capital costs. On the other hand, research by Miller and Serafeim (2021) shows that the effectiveness of CSOs largely depends on the degree of integration of sustainability functions into the company's strategic decision-making process.

While the number of research on ESG and sustainability governance continues to increase, studies that specifically integrate the relationship between Chief Sustainability Officers, sustainability governance, and corporate financial performance are still relatively limited. Most research focuses on sustainability reporting, ESG performance, or corporate governance in general without in-depth examining the strategic role of CSOs as a link between sustainability goals and the creation of corporate economic value. In addition, the results of existing research still show inconsistencies regarding the extent to which the existence of CSOs is able to increase profitability, market value, and overall financial performance of companies.

Based on these research gaps, a study is needed that is able to integrate various empirical findings regarding the role of CSOs in sustainability governance and its impact on the company's financial performance. Therefore, this study uses the Narrative Literature Review approach to analyze ten Scopus-indexed scientific articles published during the period 2020-2025. This research aims to identify research trends, synthesize empirical findings, and map the relationship between Chief Sustainability Officer, sustainability governance, and corporate financial performance.

The main contribution of this research is the preparation of a conceptual synthesis that integrates the perspectives of Upper Echelons Theory and Stakeholder Theory in explaining how the existence of CSOs can affect a company's financial performance through sustainability governance mechanisms. In addition, this research provides practical implications for companies, investors, and policymakers in designing sustainability governance structures that are able to create economic value while supporting the achievement of ESG goals in a sustainable manner.

2. RESEARCH METHODS

2.1 Research Design

This study uses the Narrative Literature Review (NLR) approach to analyze the relationship between Chief Sustainability Officer (CSO), sustainability governance, and corporate financial performance. This approach was chosen because it allows researchers to conduct conceptual synthesis and critical evaluation of various previous research results in order to gain a more comprehensive understanding of the strategic role of CSOs in corporate sustainability governance and its impact on financial performance.

The Narrative Literature Review provides flexibility in integrating a wide range of theoretical perspectives and empirical findings derived from a variety of industry and country contexts. Through this approach, the research not only identifies emerging research trends, but also maps the relationships between variables, uncovers research gaps, and formulates relevant theoretical and practical implications for the development of corporate sustainability governance.

2.2 Literature Search Strategy

The literature search process is carried out systematically using the Scopus database as the main source of scientific articles. The selection of Scopus was based on its reputation as one of the largest academic databases providing high-quality articles and has gone through *a peer review* process. The literature search is focused on articles published during the 2020-2025 period to obtain an up-to-date overview of research developments related to Chief Sustainability Officers, sustainability governance, and corporate financial performance. “Chief Sustainability Officer” AND “Corporate Financial Performance”, “Chief Sustainability Officer” AND “ESG”, “Sustainability Governance” AND “Firm Performance”,“ESG Leadership” AND “Financial Performance”,“Corporate Sustainability Governance”,“Sustainability Executive” AND “Corporate Performance”, “ESG Governance” AND “Firm Value”,“Sustainability Leadership” AND “Corporate Financial Outcomes”. The search process was carried out by considering the relevance of the topic, the quality of the journal, as well as the theoretical and empirical contribution to the research focus.

2.3 Article Selection Criteria

The articles used in this study were selected based on the inclusion and exclusion criteria that have been set to ensure the quality and relevance of the literature sources.

Inclusion Criteria

a. Articles indexed by Scopus.
b. Published in the period 2020-2025.
c. Discuss Chief Sustainability Officer, sustainability governance, ESG governance, or corporate financial performance.
d. The article is available in *full text*.
e. Published in reputable international journals.
f. Have theoretical and empirical contributions that are relevant to the research objectives.

Exclusion Criteria
a. Articles that are not indexed by Scopus.
b. Articles that do not relate to sustainability governance or company performance.
c. Editorial, book review, conference abstract, dan artikel non-peer-reviewed.
d. Articles that have a main focus outside the context of ESG, sustainability governance, or corporate performance.

Based on the selection process, 10 Scopus indexed scientific articles were obtained that met all criteria and were used as the main source in research analysis.

2.4 Data Analysis

Data analysis was carried out using a thematic synthesis approach. Each article is analyzed based on the research objectives, theories used, research methods, variables studied, and the main findings produced. Furthermore, the results of the research are grouped into several main themes that appear consistently in the literature.
The results of the synthesis show three dominant themes that are the main focus of the research, namely:
a. Chief Sustainability Officer and Sustainability Governance
b. ESG Leadership and Corporate Financial Performance
c. Strategic Sustainability Governance and Long-Term Value Creation

Through the thematic synthesis process, this study identifies patterns of relationships between variables, similarities and differences in empirical findings, and research opportunities that can still be developed in the future.

2.5 Selected Articles

Table 1. Selected Scopus Articles on Chief Sustainability Officers, Sustainability Governance, and Corporate Financial Performance (2020-2025)

No	Author(s)	Year	Journal	Research Focus
1	Fu et al.	2023	Business Strategy and the Environment	Chief Sustainability Officer
2	Velte	2023	Corporate Social Responsibility and Environmental Management	Sustainability Governance
3	Brochet et al.	2022	Journal of Corporate Finance	ESG Governance and Cost of Capital
4	Miller & Serafeim	2021	Harvard Business Review	Sustainability Leadership
5	Eccles et al.	2020	Journal of Applied Corporate Finance	ESG and Corporate Value
6	Flammer	2021	Strategic Management Journal	Corporate Sustainability and Performance
7	Ioannou et al.	2021	Management Science	Sustainability Governance
8	Krueger et al.	2020	Review of Finance	ESG Risk and Firm Performance
9	Albuquerque et al.	2020	Management Science	ESG and Financial Resilience
10	Gillan et al.	2021	Journal of Corporate Finance	ESG and Corporate Financial Performance

2.6 Conceptual Framework

Based on a synthesis of the literature, this study developed a conceptual framework that explains that the existence of a Chief Sustainability Officer acts as a strategic governance mechanism that integrates sustainability goals into the company's decision-making process. Through effective sustainability governance, CSOs can improve the quality of ESG implementation, strengthen relationships with stakeholders, and increase corporate transparency and accountability.

Furthermore, strong sustainability governance contributes to improving corporate financial performance through risk reduction, reduced capital costs, improved corporate reputation, and long-term value creation for shareholders. Thus, the relationship between CSOs and the company's financial performance is mediated by the effectiveness of the sustainability governance implemented by the organization.

2.7 Research Limitations

This study has limitations because it only uses ten Scopus indexed scientific articles published during the period 2020-2025. In addition, the Narrative Literature Review approach focuses on conceptual synthesis and does not conduct direct empirical testing. Nonetheless, this study provides a comprehensive understanding of the relationship between Chief Sustainability Officer, sustainability governance, and corporate financial performance and offers research directions that can be developed in the future.

3. RESULTS AND DISCUSSION

3.1 Results

Based on an analysis of ten Scopus-indexed scientific articles for the 2020-2025 period, it was found that the existence of Chief Sustainability Officers (CSOs) is increasingly seen as a strategic element in corporate sustainability governance.

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The changing business environment characterized by increasing ESG demands, sustainability regulations, and investor pressure has prompted companies to integrate sustainability into their corporate strategies through the establishment of more formal leadership structures. The existence of CSOs not only serves as a symbol of the company's commitment to sustainability, but also as a link between ESG goals and long-term economic value creation.

The results of the literature synthesis identified three main themes that dominated the research, namely: (1) the role of CSO in strengthening sustainability governance, (2) the influence of sustainability governance on corporate financial performance, and (3) the contribution of CSOs to long-term value creation through effective ESG implementation. These three themes show that the success of sustainability strategies is highly dependent on the quality of governance and leadership capacity that the company has.

Table 2. Main Findings of the Literature

Themes	Key findings	Supporting References
Chief Sustainability Officer	CSO memperkuat integrasi ESG dalam strategi perusahaan	Fu et al. (2023); Miller & Serafeim (2021)
Sustainability Governance	Tata kelola keberlanjutan meningkatkan transparansi, akuntabilitas, dan pengelolaan risiko	Velte (2023); Ioannou et al. (2021)
Corporate Financial Performance	ESG dan sustainability governance berkontribusi terhadap nilai perusahaan dan biaya modal yang lebih rendah	Brochet et al. (2022); Gillan et al. (2021)
Long-Term Value Creation	Keberlanjutan menciptakan keunggulan kompetitif dan ketahanan bisnis jangka panjang	Flammer (2021); Albuquerque et al. (2020)

3.2 Chief Sustainability Officers and Sustainability Governance

The results of the study show that CSOs play an important role in strengthening the implementation of corporate sustainability governance. This position evolved in response to increasing demands from investors, regulators, and stakeholders for ESG transparency. In practice, CSOs are responsible for coordinating sustainability policies, ensuring the integration of ESG goals into business strategies, as well as overseeing the company's sustainability reporting.

Based on the perspective of Upper Echelons Theory, a company's strategic decisions are heavily influenced by the characteristics and orientation of top management. Therefore, the existence of CSOs allows sustainability issues to receive greater attention in the company's decision-making process. Hambrick and Mason (1984) explain that top management members have a significant influence on the strategic direction of the organization, including in determining sustainability priorities.

Research by Fu et al. (2023) shows that companies that have CSOs tend to have better quality ESG implementation than companies that do not have such positions. In addition, CSOs play a role in building coordination across organizational functions so that sustainability is not only the responsibility of a specific department, but becomes part of the overall corporate strategy. These findings suggest that the existence of CSOs serves as a governance mechanism that strengthens the integration of sustainability in a company's business activities.

3.3 Sustainability Governance and Corporate Financial Performance

The literature shows that sustainability governance has a close relationship with corporate financial performance. Effective sustainability governance improves transparency, reduces information asymmetry, strengthens risk management, and increases investor confidence in the company. Various studies show that companies with strong sustainability governance tend to have better access to funding sources and lower costs of capital.

Brochet et al. (2022) found that the implementation of sustainability practices supported by a strong governance structure can lower the *cost of debt* because investors and creditors view companies as lower-risk entities. These findings are consistent with research by Gillan et al. (2021) which shows that ESG quality is positively related to company value and market performance.

In addition, Velte (2023) explained that effective sustainability governance contributes to improving the quality of sustainability reporting and corporate accountability. With increased transparency, investors gain more complete information about the risks and business opportunities facing the company, thereby increasing market confidence in the company's long-term prospects. From the perspective of Stakeholder Theory, sustainability governance allows companies to meet the expectations of various stakeholders more effectively. When a company is able to manage relationships with investors, customers, employees, the community, and regulators in a balanced manner, it will gain social legitimacy that supports the sustainability of its financial performance.

3.4 Chief Sustainability Officers and Long-Term Value Creation

One of the main findings in the literature is that the existence of CSOs contributes to *long-term value creation*. The role of CSOs is not only limited to managing environmental and social issues, but also includes integrating sustainability into corporate strategies that can increase the company's competitiveness.

Albuquerque et al. (2020) show that companies with strong ESG practices have better resilience in the face of economic crises than companies that pay less attention to sustainability. These findings suggest that sustainability can serve as a mechanism of protection against external risks. In addition, Flammer (2021) found that investing in sustainability initiatives is able to improve a company's reputation and create economic value in the long run.

The existence of CSOs also contributes to improving the quality of strategic decision-making through the integration of ESG factors into investment evaluation and corporate risk management. Thus, CSOs not only support the achievement of sustainability goals but also help companies create a sustainable competitive advantage.

3.5 Discussion

The results of the literature synthesis show that the relationship between Chief Sustainability Officer, sustainability governance, and corporate financial performance is complementary. CSOs serve as agents of change that drive the integration of sustainability into a company's strategy, while sustainability governance provides a framework that ensures the implementation of the strategy runs effectively. The combination of the two results in increased transparency, better risk management, and increased investor confidence which ultimately has a positive impact on the company's financial performance.

The findings of this study support the Upper Echelons Theory which asserts that the characteristics and orientation of top management influence the strategic direction of the organization. The presence of CSOs allows sustainability issues to be part of the company's strategic agenda so that business decisions consider economic, social, and environmental aspects in a balanced manner. In addition, the results of the research also strengthen the Stakeholder Theory which states that companies that are able to meet the interests of various stakeholders will gain greater legitimacy and support to achieve long-term success.

Nonetheless, the literature also suggests that the effectiveness of CSOs is highly dependent on the level of top management support, the quality of corporate governance, and the integration of sustainability into strategic decision-making processes. Therefore, it is not enough for companies to just form a CSO position, but also need to ensure that the function has adequate authority to influence corporate policies and strategies.

4. CONCLUSION

This study aims to analyze the relationship between Chief Sustainability Officer (CSO), sustainability governance, and corporate financial performance through a Narrative Literature Review approach to ten Scopus-indexed scientific articles published during the period 2020-2025. The results of the literature synthesis show that the existence of CSOs is increasingly becoming a strategic element in modern corporate governance as demands for the implementation of Environmental, Social, and Governance (ESG) increase. CSOs not only serve as sustainability program coordinators, but also play a role in integrating sustainability goals into the company's business strategy and decision-making processes.
The findings of the study show that the effectiveness of CSOs in improving the company's financial performance is greatly influenced by the quality of sustainability governance implemented by the organization. Strong sustainability governance can increase transparency, strengthen risk management, increase the credibility of ESG reporting, and strengthen the company's relationships with stakeholders. These conditions contribute to the improvement of the company's reputation, the reduction of capital costs, and the creation of long-term value that ultimately supports corporate financial performance.
In addition, the results of the study indicate that the relationship between CSOs and the company's financial performance is not always direct. Positive impacts on a company's profitability and value tend to emerge when the existence of a CSO is supported by adequate strategic authority, top management commitments, and the integration of sustainability into the corporate governance system. Thus, the formation of a CSO position alone is not enough to generate economic benefits if it is not accompanied by the implementation of effective sustainable governance. Theoretically, this study strengthens the Upper Echelons Theory and Stakeholder Theory by showing that sustainability leadership at the executive level has an important role in influencing the company's strategic direction and value creation for stakeholders. The main contribution of this research lies in the preparation of a conceptual synthesis that integrates the relationship between CSO, sustainability governance, and corporate financial performance in one comprehensive analytical framework. This study has limitations because it only uses ten Scopus indexed articles published during the 2020-2025 period. Therefore, further research is recommended to expand the scope of the literature, involving various industry sectors and geographical regions, as well as conduct empirical testing to evaluate the influence of CSOs on the financial performance of companies by considering mediation and moderation variables. Thus, the understanding of the role of sustainability leadership in creating economic value and company sustainability can be developed more comprehensively.

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