Research on Enterprise Value Evaluation under the Influence of ESG: Taking A-share Listed Companies as an Example

Fan Xiao, Wei He*, Heyu Li
College of Management, Zhongkai University of Agriculture and Engineering, Guangzhou, China
**Corresponding Author.*

Abstract: ESG research provides a framework for investors to evaluate a company's sustainability performance, guiding them to prefer companies with strong ESG performance. Superior ESG performance enhances a company's reputation and gains the trust of customers, employees, and investors, giving the company a competitive edge. ESG research guides companies to develop sustainable strategies that focus on long-term benefits, achieving a balance between environmental protection and profitability. This paper focuses on the impact of ESG on enterprise value, offering a new perspective for investors and management. The study examines A-share listed companies from 2020 to 2022, using Tobin's Q to evaluate enterprise value and the ESG evaluation system to measure performance in environmental, social, and governance dimensions. It also considers control variables for data analysis. Based on the conclusions, the paper suggests strategies to improve corporate regulation, promoting healthier development.

Keywords: ESG; Listed Company; Enterprise Value

1. Introduction

The concept of ESG (Environmental, Social, and Governance) was first introduced by the United Nations in the Global Compact in 2004 and further integrated with capital markets through the Principles for Responsible Investment in 2006. Following this, China released the China ESG Development White Paper in 2021, providing guidance for sustainable development and promoting responsible investment. By 2023, the State-owned Assets Supervision and Administration Commission issued a notice on ESG report preparation, offering comprehensive guidelines for state-owned listed companies. This underscores the increasing importance of ESG in guiding corporate practices and enhancing market functions to better serve the real economy.

Internationally, ESG performance is widely recognized across various fields such as economics, law, and sociology. The rise of ESG concepts is tied to growing environmental and social issues, prompting investors to consider corporate performance in these areas. Environmental concerns, such as climate change and resource depletion, highlight the need for companies to integrate environmental sustainability into their long-term strategies. Social responsibility has gained traction as companies are expected to address broader societal impacts, not just pursue profits. Furthermore, improved corporate governance is crucial for stability and long-term success, with investors focusing on governance structures as key value indicators.

This study aims to explore how companies respond to environmental challenges, adopt sustainable practices, and manage social relationships, including interactions with employees, customers, communities, and supply chains. It examines how these factors, along with effective governance, influence corporate reputation, brand image, market position, and overall value. Utilizing A-share listed companies from 2020 to 2022, the study employs Tobin's Q ratio and ESG rating systems to assess corporate value and performance across environmental, social, and governance dimensions, considering variables like asset size, debt capacity, growth potential, ownership concentration, and board independence.

Improving ESG management enhances a company's crisis resilience and intangible assets. Early identification of environmental impacts and proactive quality control reduce regulatory and reputational risks. As ESG

 Copyright @ STEMM Institute Press

factors gain investor and consumer attention, companies with strong ESG performance secure more market opportunities and competitive advantages, bolstering their market standing and brand influence. However, ESG evaluations often involve qualitative data, subject to evaluator judgment and differing standards, leading to potential inconsistencies. Moreover, ESG data may lack the standardization and availability of traditional financial data, complicating accurate assessments. ESG management helps companies balance economic, environmental, and social objectives, achieving sustainable development. For A-share listed companies, this approach supports stable long-term growth and profitability while contributing positively to society and the environment.

2. Literature Review

2.1 Domestic Research Status

2.1.1 Relationship between ESG performance and corporate value

Yang and Qin (2023)[1] conducted an empirical analysis of A-share listed companies in the Shanghai and Shenzhen stock markets from 2016 to 2020 to explore the relationship between ESG performance and corporate value. They found that ESG performance positively impacts corporate value overall. Further subgroup analysis by ownership type and industry revealed that ESG performance significantly enhances corporate value in non-government enterprises and non-polluting industries, whereas the impact is weaker in government enterprises and high-pollution industries. Similarly, Zhang and Wang (2023)[2] examined the influence of ESG performance on corporate value using A-share listed companies from 2016 to 2020. Their findings align with those of Yang and Qin, indicating a significant positive correlation between ESG performance and corporate value. Their subgroup analysis also found that non-state-owned and non-polluting companies effectively increase corporate value by improving ESG performance. Liao (2023)[3], based on data from listed companies from 2018 to 2020, confirmed the positive correlation between ESG performance and corporate value. She also explored the role of heterogeneity analysis in this relationship, highlighting that non-state-owned enterprises place greater emphasis on ESG performance to enhance corporate value.

2.1.2 ESG performance of domestic enterprises

Hu (2024)[4] observed that although China's ESG investment market is developing well, it still faces several challenges. These include inconsistent quality and reliability of ESG data, lack of effective evaluation standards and disclosure mechanisms, limited investor understanding and awareness of ESG investments, and the need for further improvement in regulatory policies to foster healthy market development. However, these challenges also present opportunities. With the advancement of global sustainable development goals and increasing investor attention to ESG investments, China's ESG investment market is poised for significant growth. Future prospects include the introduction of more ESG indices and products, improved regulatory policies, and enhanced investor understanding and awareness of ESG investments.

2.2 International Research Status

2.2.1 Relationship between ESG performance and corporate performance

Zhang and Liu (2023)[5] argued that with China's implementation of dual carbon goals and high-quality development strategies, the role of green innovation has become increasingly important. ESG innovation, as a guiding principle for corporate sustainable development, is also a critical signal for evaluating a company's environmental, social responsibility, and governance levels. They conducted an empirical analysis using A-share company samples from 2009 to 2011 to examine the impact of green innovation on ESG standards. Their study showed that ESG performance enhances green innovation performance. The mechanism analysis revealed that ESG performance primarily improves green innovation by reducing financing difficulties and increasing human capital. Other studies indicated that the three sub-dimensions of ESG performance contribute to improving green innovation, with corporate governance having the most significant impact. ESG performance enhances strategic, autonomous, substantive, and collaborative green innovation performance. Diana (2023)[6] found that investors and other stakeholders increasingly consider ESG factors in investment decisions, supported by various rating agencies that develop indices and reporting standards to identify the most sustainable companies from an ESG perspective. However, when analyzing the relationship between financial performance and sustainability, researchers have not reached a universally accepted conclusion: while many studies show a positive relationship, others indicate a negative one. Evaluating the relationship between ESG performance and financial performance based on profit margins is often a priority in many studies.

2.2.2 ESG performance of international enterprises

Internationally, the concept and practice of ESG investment are relatively mature, especially in the European and North American markets. Majumder (2016)[7] noted that with the increasing prominence of global climate change, social issues, and governance challenges, ESG investment has become a crucial tool for investors to assess risks and opportunities and a significant means to promote corporate and societal sustainable development. In summary, the status of ESG research abroad is characterized by diversity and maturity. Nevertheless, both domestically and internationally, ESG investment remains a continuously evolving field full of challenges and opportunities. Deepening research, strengthening practice, and improving policies are essential to advance the ESG investment market and corporate social responsibility.

3. Theoretical Mechanism and Research Hypothesis

3.1 ESG Performance and Corporate Value

Firstly, by implementing ESG strategies, companies can lead in sustainable development and gain a competitive edge in the market.[8] This includes improving production efficiency, reducing resource consumption, and minimizing pollution, which helps maintain long-term competitiveness. Secondly, companies focusing on ESG performance are more likely to gain social and public recognition, thus building a strong brand image. This not only attracts higher-quality customers and partners but also improves employee satisfaction and loyalty, creating more value for the company and lowering barriers for stakeholders to access various development resources. Thirdly, companies can reduce potential operational risks by enhancing environmental governance, social responsibility, and corporate governance. This includes reducing risks related to environmental incidents, social conflicts, and litigation, ensuring stable operations and long-term development. Fourthly, more investors are focusing on ESG performance, using it as a crucial basis for investment decisions. Good ESG performance improves the company's investment efficiency.[9] Therefore, companies focusing on ESG performance are more likely to attract high-quality investors and funds, actively supporting business growth. Fifthly, companies can achieve economic success through ESG strategies while creating additional value for society. For example, promoting sustainable development, improving employee welfare, and enhancing community cooperation can create a win-win situation for both the enterprise and society, contributing to social prosperity and progress.

3.2 Environmental Performance and Corporate Value

From a short-term perspective, investing in ESG activities can increase operational costs and negatively affect financial performance, impacting corporate value, especially under external conditions.[10] Companies need substantial capital to achieve environmental goals, which may include purchasing environmental protection equipment, training employees, and developing new technologies. These capital expenditures can negatively affect cash flow and short-term profits. Although environmental technology is rapidly developing, in the short term, companies may struggle to find suitable technologies to meet their environmental needs. Additionally, introducing and applying new technologies may require time and personnel investment. Implementing environmental measures can affect production and management processes, requiring time and effort to adapt and ensure effective implementation.

From a long-term perspective, improved environmental performance enhances corporate value, but this enhancement is a slow and gradual process.[11] Firstly, long-term capital investments can optimize environmental technology, equipment, and

 Copyright @ STEMM Institute Press

processes, improving production efficiency, reducing energy consumption, and minimizing waste, thereby lowering long-term operating costs. Secondly, as consumer awareness of environmental issues increases, demand for environmentally friendly products will grow, providing companies with opportunities to enhance brand awareness and market share. Thirdly, companies emphasizing environmental protection can establish a green brand image, attracting environmentally conscious consumers and creating a competitive advantage in the market. Fourthly, long-term implementation of environmental measures requires continuous improvement of management systems and processes, enhancing overall operational efficiency and responsiveness, laying the foundation for long-term development.

3.3 Social Responsibility and Corporate Value

Social responsibility has a profound and significant impact on companies. By integrating social responsibility into their strategies and business processes, companies can lay the foundation for sustainable development, strengthen relationships with stakeholders, promote innovation and creativity, enhance competitiveness and market share, and address future challenges and risks. Such companies can contribute positively to society and the environment while achieving long-term development and value creation. Firstly, emphasizing social responsibility is fundamental to sustainable development. Companies must integrate social responsibility into their core strategies to ensure that their business activities align with environmental and social needs. Implementing sustainable development programs lays a solid foundation for long-term growth. Secondly, reinforcing social responsibility reflects corporate ethics and is crucial for long-term sustainability. Establishing transparent communication channels with stakeholders such as shareholders, employees, customers, suppliers, and communities is essential. Actively and honestly engaging with stakeholders can strengthen relationships and foster collaborative development efforts. According to stakeholder theory, fulfilling social responsibility strengthens the relationship between the company and its stakeholders, facilitating the exchange of internal and external information relevant to the company's operations [12]. Thirdly, strengthening social responsibility stimulates innovation and creativity. Addressing social and environmental challenges requires companies to continually seek new solutions and creative approaches, satisfying market needs and advancing technology and corporate development. Fourthly, enhancing social responsibility improves competitiveness and market share. As consumers increasingly value environmental protection and social responsibility, companies that demonstrate strong social responsibility are more attractive to consumers, increasing market share. Fulfilling consumer responsibilities boosts confidence and satisfaction with purchased products. Fifthly, emphasizing social responsibility helps better predict future challenges and risks. Facing complex and changing environments and challenges such as climate change, resource scarcity, and social instability, companies can better anticipate and respond to these challenges, reducing potential risks by strengthening social responsibility.

3.4 Corporate Governance and Corporate Value

High-quality corporate governance profoundly impacts a company's overall development and value creation. Firstly, excellent corporate governance significantly enhances performance and profitability.[13] Transparent, fair, and efficient decision-making processes stimulate management's enthusiasm and creativity, driving continuous innovation and development. This development translates into economic benefits, creating greater value for the company. Secondly, good corporate governance is crucial in attracting investors, enhancing market value, and improving stock performance. When investors are satisfied with a company's governance structure and operations, they are more likely to invest, increasing market value and providing more financing opportunities. Additionally, high-quality corporate governance effectively reduces business risks. Robust risk management systems and internal controls help companies manage financial and operational challenges, reduce negative behavior, and ensure stable and sustainable operations.[14] This not only protects company interests but also lays a solid foundation for long-term growth. Moreover, good corporate governance enhances reputation and image. Companies with excellent governance structures are perceived as more reliable and responsible, enhancing brand value and market competitiveness, and creating more business opportunities. Lastly, high-quality corporate governance promotes sustainable development. By balancing social, environmental, and economic benefits, governance ensures that companies pursue economic interests while fulfilling social responsibilities, achieving coordinated development of economic, social, and environmental aspects. This sustainable development model enhances long-term competitiveness and benefits society and the environment.[15]

Based on the above analysis, the hypothesis is proposed: there is a positive correlation between corporate ESG performance and corporate value.

4. Empirical Study on the Impact of ESG Performance on the Value of Listed Companies

4.1 Sample Selection and Data Sources

China's major ESG (Environmental, Social, and Governance) rating agencies cover various sectors, including financial institutions like SynTao Green Finance, China SIF, and China Asset Management Co., academic research institutions such as the Green Finance Institute at Central University of Finance and Economics, and independent rating service providers like Hexun and RKS. To ensure data availability and comparability, this paper utilizes the "Corporate Social Responsibility Report" published by Hexun as the source of ESG rating data. This report is based on the social responsibility and financial reports of Chinese listed companies and includes 13 secondary indicators and 37 tertiary indicators under five primary indicators. This comprehensive indicator set can objectively and comprehensively reflect the social responsibility performance of enterprises.

To date, Hexun has released data from the "Corporate Social Responsibility Report" for ten years, from 2011 to 2020. The coverage has expanded from 2,661 companies in 2011 to 4,551 companies in 2020, demonstrating the increasing prevalence and importance of social responsibility reporting among Chinese enterprises. In this study, we will use A-share listed companies from the CSMAR database from 2020 to 2022 as the research sample. The financial data of these listed companies are sourced from the CSMAR database, ensuring data accuracy and reliability. By combining Hexun's social responsibility report data with CSMAR's financial data, we can more deeply analyze the ESG performance of Chinese listed companies, providing valuable reference information for investors, policymakers, and other stakeholders.

4.2 Baseline Model

$$TBQi,t=ai+\beta\times Independent,t+\gamma\times Xi,t-1+Year+Industry+\varepsilon i,t \quad (1)$$

In exploring the relationship between corporate value and social responsibility performance, we constructed a baseline model using Tobin's Q (TBQi,t) as the dependent variable, which measures the ratio of the market value to the replacement cost of enterprise i at time t. This indicator reflects not only the market performance of the enterprise but also its potential for future growth. In the model, the independent variable represents the ESG performance of the enterprise, i.e., the comprehensive score of environmental, social, and governance aspects, sourced from Hexun's "Corporate Social Responsibility Report."

To accurately estimate the impact of ESG on corporate value, we introduced a series of control variables Xi,t-1, including asset size (SIZE), solvency (LEV), corporate growth (GROWTH), equity concentration (BALANCE), proportion of independent directors (DIR), and cash to total assets ratio (CF). These control variables are derived from the previous year's data to eliminate contemporaneity bias. Additionally, the model accounts for year (Year) and industry (Industry) dummy variables to control for time and industry factors. Lastly, ε i,t represents the disturbance term varying with individuals and time, encompassing other potential factors not considered in the model.

4.3 Variable Selection and Data Description

This study employs Tobin's Q to compare the market value and replacement cost of enterprises, comprehensively reflecting market recognition and growth potential. This allows

 Copyright @ STEMM Institute Press

for a precise assessment of market performance and investor confidence. Furthermore, to thoroughly evaluate ESG performance, a specialized ESG rating system is adopted. This system integrates performance across environmental, social, and governance dimensions, quantified through various specific indicators, to measure the sustainable development capacity and social responsibility of enterprises. This rating system aids in providing a comprehensive understanding of non-financial performance, offering investors a more well-rounded decision-making basis. The study selects A-share listed companies from the CSMAR database between 2020 and 2022 as the research sample.

4.4 Selection of Control Variables and Data Description

In addition to Tobin's Q and ESG ratings, a series of control variables are selected to ensure the accuracy and reliability of the study. These control variables include asset size, solvency, corporate growth, equity concentration, proportion of independent directors, and cash to total assets ratio. The selection of these control variables is to ensure the accuracy and reliability of the research results and to provide a more comprehensive understanding of the phenomena being studied. The reasons for selecting these control variables are as follows:

Asset Size (SIZE): Different asset sizes may affect market performance and financial metrics. Larger enterprises typically have more resources and stronger market competitiveness, which may influence their Tobin's Q and ESG ratings.

Solvency (LEV): Reflects financial risk and capital structure. High debt levels may lead to greater financial risk, affecting market performance and ESG ratings.

Corporate Growth (GROWTH): An important indicator of future development potential. Enterprises with different growth rates may face varying market opportunities and challenges, influencing Tobin's Q and ESG ratings.

Equity Concentration (BALANCE): Reflects the distribution of corporate equity, potentially affecting decision-making and market performance. Highly concentrated equity structures may allow major shareholders greater influence on decisions, impacting Tobin's Q and ESG ratings.

Proportion of Independent Directors (DIR): May affect corporate governance structures and market performance. Controlling for the proportion of independent directors allows for a more accurate assessment of the impact of governance structures on market performance and ESG ratings.

Cash to Total Assets Ratio (CF): Reflects cash flow status and asset liquidity. Cash flow is critical to operations and development, potentially influencing market performance and ESG ratings.

In summary, selecting these control variables helps provide a comprehensive understanding of the factors influencing Tobin's Q and ESG ratings and more accurately assess the impact of other variables on market performance and financial status. This enhances the accuracy and reliability of the study. To ensure timeliness and accuracy, A-share listed companies from the CSMAR database between 2020 and 2022 are chosen as the research sample.

5. Empirical Analysis

5.1 Descriptive Statistics, Correlation Coefficients, and Model Selection for the Study on ESG Performance and Corporate Value

5.1.1 Descriptive statistics

From the table 1, it can be observed that the mean of Tobin's Q value is 1.896, indicating that the market value to replacement cost ratio of the sample companies is approximately 1.9. This figure reflects the average level of market performance and investment value of the sample companies. Furthermore, the median is 1.554, indicating that half of the companies have Tobin's Q values lower than this figure. The difference between the median and the mean suggests that the distribution of Tobin's Q values may exhibit some skewness, indicating that some companies may have relatively higher or lower Q values. With a standard deviation of 1.143, it represents the degree of dispersion of Tobin's Q values among the sample companies. This relatively large standard deviation implies that there are significant differences in Tobin's Q values among the sample companies, with some companies having much higher market values relative to their replacement costs, while others may have the opposite situation. These differences may reflect variations in market position, profitability, and growth prospects among different companies.

Table 1. Descriptive Statistics

Variable	N	Mean	p50	SD	Min	Max
TobinQ	14055	1.896	1.554	1.143	0.813	8.613
ESG	14055	0.734	0.737	0.0522	0.568	0.849
Size	14055	22.40	22.19	1.308	20.07	26.40
Lev	14055	0.423	0.418	0.198	0.0621	0.894
Growth	14055	0.116	0.0735	0.224	-0.311	1.203
Balance	14055	33.45	30.95	14.42	9.133	73.23
DIR	14055	37.93	36.36	5.335	33.33	57.14
CF	14055	0.154	0.124	0.115	0.009	0.563

The mean of ESG ratings is 0.734, indicating that the overall level of ESG performance among the evaluated sample companies is close to this figure. The median is 0.737, slightly higher than the mean, suggesting that half of the companies have slightly better ESG performance than the average level. This reflects a slight positive skewness in the distribution of ESG ratings among the sample companies, indicating that slightly more companies perform better than the average. With a standard deviation of 0.0522, it indicates that the distribution of scores on ESG ratings among companies is relatively concentrated, with small fluctuations. This suggests that the ESG performance of most companies is close to the average level, without extreme high or low scores. This stability reflects the widespread emphasis on and continuous improvement efforts in ESG practices by companies. Additionally, the small standard deviation implies that the performance of companies in the ESG field may be influenced by common factors or industry standards, resulting in a certain degree of convergence in ESG ratings. This reflects the increasing importance of ESG issues to companies and provides directions and opportunities for improvement in sustainable development for the future. These data provide important reference for investors, consumers, and other stakeholders to comprehensively evaluate the overall value and long-term development potential of companies.

5.1.2 Correlation coefficients

From Table 2, it can be observed that the Tobin's Q value has a significant positive correlation with the company's ESG rating at the 1% level, indicating a positive relationship between firm value and the company's ESG performance. Furthermore, as the Tobin's Q value increases, the company's growth potential, proportion of independent directors, and total cash assets also increase. However, as the Tobin's Q value increases, the company's asset size, debt-paying ability, and degree of equity concentration tend to decrease.

Table 2. Correlation Coefficients

	TobinQ	ESG	Size	Lev	Growth	Top	DIR	CF
TobinQ	1							
ESG	0.083***	1						
Size	-0.318***	0.206***	1					
Lev	-0.265***	-0.113***	0.491***	1				
Growth	0.121***	0.161***	0.024***	-0.036***	1			
Top	-0.102***	0.146***	0.181***	0.010	0.038***	1		
DIR	0.041***	0.060***	-0.014*	-0.007	0.005	0.050***	1	
CF	0.192***	0.154***	-0.204***	-0.393***	0.139***	0.068***	0.007	1

Note: ***, **, * indicate significance at the 1%, 5%, 10% level, respectively.

5.1.3 Model selection:

The F-test rejects the mixed regression, favoring fixed effects.

From Table 3, the F-value is 8.19, and the test results reject the mixed regression. Therefore, fixed effects are chosen.

Table 3. F-Test

F	Prob > F
8.79	0.000

Table 4. Hausman Test

Chi2(8)	Prob > Chi2
246.57	0.000

 Copyright @ STEMM Institute Press

From Table 4, in the Hausman test results, the test statistic is 246.57, with a p-value of 0.000. Hence, it is considered that the fixed effects model is superior to the random effects model, and thus the fixed effects model is selected.

5.2 Regression Results of the Impact of ESG Performance on Firm Value

The regression results of the impact of corporate ESG performance on firm value are shown in Table 5.

Table 5. Baseline Regression Results

VARIABLES	TobinQ
ESG	0.565***
	(3.714)
Size	-0.577***
	(-11.50)
Lev	0.399***
	(2.882)
Growth	0.118***
	(2.697)
Top	-0.00527**
	(-2.386)
DIR	0.000887
	(0.404)
CF	-0.213
	(-1.566)
Constant	14.18***
	(12.67)
Observations	14,055
R-squared	0.098
ID FE	YES
Year FE	YES
F	82.85
prob>F	0.000

Robust t-statistics in parentheses； *** p<0.01, ** p<0.05, * p<0.1

From the data provided in Table 5, we observe a significant association between ESG and TBQ, which is particularly evident at the 1% statistical level. This indicates a clear positive relationship between a firm's ESG performance and its market value. This result strongly supports our previous hypothesis that a firm's ESG performance has a positive impact on its value. This relationship reflects investors' recognition and favor towards companies that emphasize social responsibility and environmental sustainability, leading to higher valuations for these firms in the market. Therefore, we can confidently state that the hypothesis is supported by the data, and ESG practices indeed significantly enhance firm value.

5.3 Robustness Test

This paper employs another measure of firm value—Return on Equity (ROE)—to further conduct a robustness test. Table 6 presents the robustness test results.

Table 6. Robustness Regression Results

VARIABLES	TobinQ
ESG	0.0977**
	(2.124)
Size	0.0877***
	(8.892)
Lev	-0.849***
	(-19.38)
Growth	0.212***
	(20.59)
Top	0.000751
	(1.133)
DIR	7.78e-05
	(0.137)
CF	-0.130***
	(-4.846)
Constant	-1.675***
	(-7.495)
Observations	14,055
R-squared	0.215
ID FE	YES
Year FE	YES
F	82.40
prob>F	0.000

Robust t-statistics in parentheses； *** p<0.01, ** p<0.05, * p<0.1

From the data in Table 6, we can see that when we use Return on Equity (ROE) as an alternative variable to replace Tobin's Q, the key variable ESG's regression results remain consistent with the previous empirical research results. This finding demonstrates that our model is robust and can yield consistent conclusions under different financial indicators. Whether using Tobin's Q or ROE as a measure of firm value, our research indicates a significant positive correlation between ESG performance and firm value. This strongly confirms that a company's performance in social responsibility and environmental sustainability positively affects its financial performance. Thus, our hypothesis is validated, and our model and methodology show good robustness and reliability.

6 Conclusion

6.1 Research Conclusion

With the increasing global focus on sustainable development, practicing ESG responsibility has become crucial for achieving long-term competitiveness for companies. This trend is particularly evident in China, where it reflects companies' response to new development concepts and important measures to achieve the 2030 carbon peak target. This paper deeply studies the relationship between ESG performance and firm value of listed companies in China to reveal the underlying mechanisms behind this correlation. To gain a comprehensive understanding of this relationship, this paper uses data from A-share listed companies from 2020 to 2022 as the research sample. Through a carefully constructed empirical model, we find a significant and robust positive relationship between corporate ESG performance and firm value. This means that companies focusing on ESG management tend to gain higher market recognition, thereby achieving higher firm value. In other words, listed companies can positively impact their firm value by increasing ESG-related investments.

6.2 Policy Recommendations

In today's world, sustainable development has become a global consensus, and companies, as important components of society, have ESG performance that affects not only their own reputation and competitiveness but also has profound impacts on society and the environment. The research results of this paper—a significant and robust positive relationship between corporate ESG performance and firm value—provide strong empirical support for this consensus. This finding holds important theoretical value and offers practical guidance and inspiration for corporate decision-makers, investors, and policymakers.

Firstly, for corporate decision-makers, this research result has profound implications. It means that in the modern business environment, ESG strategy should no longer be a peripheral part of corporate strategy but should be placed at the core. Corporate decision-makers need to recognize that ESG is not just a manifestation of social responsibility but also a source of business opportunities and competitive advantage. Integrating ESG into the core of corporate decision-making can help enhance brand image and reputation. As consumers and investors increasingly focus on corporate social responsibility and environmental impact, companies that actively demonstrate their ESG practices will more easily gain public trust and goodwill. This positive image will further enhance the company's market influence and competitiveness. ESG strategy also helps companies reduce operational risks. With the increasing global environmental issues and social challenges, companies face more external pressures and uncertainties. By actively implementing ESG strategies, companies can better address these challenges and reduce potential risks. For example, by reducing resource consumption and emissions, companies can lower environmental risks; by improving employee treatment and community relations, companies can reduce social risks. Moreover, ESG strategy can improve resource utilization efficiency. By adopting more environmentally friendly and sustainable production methods and management models, companies can reduce resource waste and improve production efficiency and profitability. To achieve these goals, companies need to actively develop ESG-related strategies, processes, and metric systems, including setting clear ESG goals and plans, establishing corresponding management systems and processes, and developing measurable ESG performance indicators. Through these measures, companies can ensure continuous focus and implementation of ESG requirements in daily operations, thereby promoting sustainable development.

Secondly, for investors, this research result not only provides an important reference for their investment decisions but also assigns them a key role in promoting sustainable development. In the modern financial market, investors' preferences and choices directly influence the capital flow and market value of companies. Therefore, investors must start paying more attention to companies' social and environmental responsibilities while pursuing economic returns. Companies that emphasize ESG management can attract more investors not just because their social responsibility performance meets public expectations but also because they typically have higher governance levels and lower operational risks.

 Copyright @ STEMM Institute Press

Such companies are often more resilient to market fluctuations and external challenges, thereby protecting investors' interests. Therefore, when evaluating corporate value, investors should not only rely on traditional financial indicators but also comprehensively consider the company's ESG performance. This includes assessing the company's actual achievements in environmental protection, social responsibility, and corporate governance, as well as their plans and commitments for future sustainable development.

Thirdly, for policymakers, this research result provides a clear and powerful signal, emphasizing the important role and indispensable responsibility of the government in promoting corporate ESG development. This finding deepens our understanding of corporate social responsibility and offers valuable references and guidelines for policymakers. Firstly, the government needs to formulate and improve relevant laws and regulations to provide clear behavioral guidelines and expectations for companies. This means that policymakers need to conduct in-depth research on various issues in the ESG field to ensure that the laws and regulations formulated can protect environmental and community interests while providing enough flexibility and innovation space for companies. By clear laws and regulations, the government can guide companies to strengthen ESG management and achieve coordinated economic, social, and environmental development. Secondly, the government needs to take effective incentive measures to encourage companies to actively engage in ESG practices. This includes providing tax incentives, financial support, and other policy measures. By offering more support and benefits to companies with excellent ESG performance, the government can stimulate corporate enthusiasm and creativity, pushing them to achieve greater achievements in the ESG field. This positive incentive mechanism can not only enhance corporate competitiveness but also promote sustainable development for society as a whole. Additionally, the government needs to strengthen communication and cooperation with companies, investors, and other stakeholders to jointly promote the development of the ESG cause. Policymakers need to listen to the opinions and suggestions of all parties carefully, continuously improve the policy system and implementation details, and ensure that ESG development meets social expectations and actual needs.

References

[1] Yang Xue, Qin Jun. Research on the Impact of ESG Performance on the Value of Listed Companies. Science and Technology and Economy, 2023, 36(02): 96-100.

[2] Zhang Mengna, Wang Shiwen. The Impact of ESG Performance on the Value of A-Share Listed Companies. Investment and Entrepreneurship, 2023, 34(14): 10-12.

[3] Liao Anting. The Impact of ESG Performance on the Value of Listed Companies in China. Modern Business, 2023, (18): 103-106.

[4] Zhang J, Liu Z. Study on the Impact of Corporate ESG Performance on Green Innovation Performance—Evidence from Listed Companies in China A-Shares. Sustainability, 2023, 15(20).

[5] Hu Xiaoping. Research on the Impact of ESG Information Disclosure on Corporate Debt Financing Costs [D]. Shijiazhuang Tiedao University, 2024.

[6] Diana VE. Analysis of the Links Between ESG Performance and Liquidity Rates for the Companies Listed on the Emerging Markets in the European Union. Studies in Business and Economics, 2023, 18(3): 322-337.

[7] Majumder M. Climate Change and its Impacts. Springer Singapore, 2016.

[8] Zhang Qiaoliang, Sun Ruijuan. ESG Information Disclosure Models and Anchoring Effect in Investor Decisions. Financial and Accounting Communications, 2015(29): 26-28.

[9] Gao Jieying, Chu Dongxiao, Lian Yonghui, et al. Can ESG Performance Improve Corporate Investment Efficiency?. Securities Market Herald, 2021(11).

[10] Christensen DM, Serafeim G, Sikochi A. Why is Corporate Virtue in the Eye of the Beholder? The Case of ESG Ratings. The Accounting Review, 2022, 97(1): 147-175.

[11] Zhou Fangzhao, Pan Wanying, Fu Hui. ESG Responsibility Performance of Listed Companies and Institutional Investors' Holding Preferences: Empirical Evidence from China A-Share Listed Companies.

Scientific Decision Making, 2020(11): 15-41.

[12] Cheng Fei, Zhang Qingjun. Pledging of Controlling Shareholder's Equity, Stock Increase, and Stock Price Volatility. Southern Finance, 2018(11): 49-58.

[13] Feng Qian. Research on the Social Responsibility Performance and Financial Performance of High-Pollution Enterprises. Enterprise Reform and Management, 2021(17): 134-135.

[14] Lin Zhonggao, Zheng Jun, Wang Shuzhen. Internal Control and Firm Value: An Empirical Analysis from A-Shares in Shanghai and Shenzhen. Journal of Financial Research, 2007(4): 132-143.

[15] Dou Qiaomei. Evaluation of Corporate Sustainable Development Potential Based on ESG and Optimization Suggestions. Business Economics, 2024, (02): 125-127+179.

 Copyright @ STEMM Institute Press