An Economic Study on the Relationship Between Corporate Value and ESG Scores of Listed Companies in China

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Abstract

Since the 18th National Congress of the Communist Party, China has made significant progress in achieving an organic integration of green transformation and high-quality development. The introduction of the ESG (Environmental, Social, and Governance) concept has not only expanded the scope of green development but also provided new support for sustainable economic growth, especially after the proposal of carbon peak and carbon neutrality goals. The guiding role of ESG investment has become increasingly prominent. As one of the key factors for corporate sustainable development, ESG performance has attracted widespread attention. Incorporating ESG factors into investment decisions and business strategies can help enhance a company's competitiveness, achieve long-term sustainable growth, and ultimately increase its overall value. This paper uses a sample of listed companies from 2000 to 2022 to empirically analyze the impact of ESG performance on corporate value. Through a literature review and empirical analysis, combined with relevant data and models, this study explores the relationship between ESG performance and corporate value in depth. The research shows that excellent ESG performance contributes to enhancing corporate value; however, in non-state-owned enterprises, there is an inverse relationship between ESG performance and corporate value. Similarly, smaller companies exhibit this reverse relationship, whereas state-owned enterprises and larger companies do not show such an association.

Keywords: ESG Performance, Corporate Value, Ownership Structure, Firm Size, Sustainable Development.

Introduction

ESG stands for Environmental, Social, and Governance, and it represents a framework for evaluating companies beyond traditional financial performance metrics. Unlike conventional financial assessments, ESG focuses on a company's environmental impact, social responsibility, and governance practices, offering an alternative investment philosophy and corporate evaluation standard. The concept of ESG was first introduced in the 2004 report "Who Cares Wins," initiated by the United Nations Global Compact and the International Finance Corporation. This report marked the beginning of the formal consideration of environmental, social, and governance factors in investment decisions.

With the deepening of globalization and the growing urgency of climate change, ESG criteria have increasingly been viewed as essential tools for assessing a company's long-term value and risk management strategies. Particularly after the global financial crisis, both markets and

regulatory bodies have come to recognize the critical role non-financial factors play in determining a company's sustainable growth and long-term returns.

In recent years, with the increasing global attention on environmental, social, and governance issues, ESG has become an indispensable factor in corporate management and investment decision-making. Environmental protection, social responsibility, and sound governance are not only the social responsibilities of corporations but are also considered key to achieving long-term sustainability. Initially focused on environmental issues, the scope of ESG evaluation has expanded to include broader social responsibility and governance concerns. Under the influence of global climate agreements and the Sustainable Development Goals (SDGs), a company's ESG performance has become a crucial factor in attracting investors, consumers, and talent.

Moreover, various national and regional policy initiatives are driving the establishment and implementation of ESG standards, such as the European Union's Sustainable Finance Action Plan. However, there is considerable debate regarding the relationship between ESG performance and corporate value, with studies indicating both positive and negative correlations. Most research suggests that ESG contributes to improved financial performance (Yoon et al., 2018; Taliento et al., 2019; Zhang Lin & Zhao Haitao, 2019; Broadstock et al., 2020).

This study aims to examine the moderating effects of ownership structure and firm size on the relationship between ESG performance and corporate value. By identifying the internal and external conditions that influence the value-enhancing effects of ESG, this research offers targeted strategies for improving ESG performance and its associated value.

Leveraging the authoritative Bloomberg ESG ratings data from both domestic and international financial markets, this empirical study analyzes the performance of 9,770 Chinese listed companies from the first quarter of 2000 to the fourth quarter of 2023, investigating the impact of ESG performance on corporate value.

Theoretical Analysis and Research Hypotheses

Corporate ESG (Environmental, Social, and Governance) performance has a significant positive impact on firm value, which includes enhancing financial performance, increasing brand value, and improving risk management. By actively fulfilling social responsibilities, standardizing management practices, and optimizing governance structures, firms can achieve long-term sustainable development, enhance their market competitiveness, and ultimately increase their overall value. According to Jones (1995), companies can enhance their financial value by managing stakeholder relationships effectively. Stakeholder theory posits that a firm's success is reliant on its interactions with various stakeholders, such as employees, customers, suppliers, and communities, and that these interactions are critical to a company's long-term success. ESG practices emphasize enhancing a company's reputation and social capital by meeting the expectations of these stakeholder groups, thereby boosting firm value.

Branco and Lucia (2006) found that actively pursuing environmental strategies or engaging in corporate social responsibility (CSR) initiatives can attract talent, enhance reputation, reduce risks, lower capital costs, and improve financial value. Legitimacy is critical for long-term prosperity, and a strong corporate governance structure can maximize shareholder value, contributing to the overall enhancement of firm value.

Based on this, the first research hypothesis is proposed regarding whether ESG performance impacts firm value:

H1: Corporate ESG performance has a positive effect on firm value.

When examining the impact of ESG performance on firm value, certain characteristics of the firm itself may influence the transmission of these effects. Drawing on the studies by Feng Lili and Zhao Simin (2017) and Fernandez-Feijoó et al. (2014), it is noted that ownership structure plays a role in shaping stakeholders' expectations regarding a firm's ESG performance. State-owned enterprises (SOEs) are more likely to have lower expectations due to governmental influences, while non-state-owned enterprises (non-SOEs) focus more on survival and development, leading to higher expectations. Non-SOEs that demonstrate better ESG performance are more likely to attract market attention and support. Furthermore, compared to large enterprises, small firms face inherent disadvantages and resource constraints. For small firms, improvements in organizational legitimacy and corporate reputation can have a more significant marginal effect on firm value than they would for larger firms.

Thus, this study proposes additional hypotheses concerning the effects of ownership structure and firm size on the relationship between ESG performance and firm value:

H2: Non-state-owned enterprises (non-SOEs) experience a greater positive (or smaller negative) effect of improved ESG performance on firm value compared to state-owned enterprises (SOEs).

H3: The smaller the firm size, the greater the positive (or smaller negative) effect of improving ESG performance on firm value.

3. Research Design

3.1 Sample Selection and Data Sources

This study uses a sample of 9,770 publicly listed companies in China, covering the period from the first quarter of 2000 to the fourth quarter of 2023. The ESG data is derived from the Bloomberg ESG ratings available in the Wind database, while the remaining data is obtained from the CSMAR database. The initial sample undergoes the following treatments: (1) exclusion of firms with missing data for certain variables; (2) no distinction is made between different industry

sectors of listed companies to prevent extreme values from affecting the research; (3) a 1% upper and lower tail trimming is applied to the data selection process to ensure the scientific rigor and accuracy of the data and analysis.

3.2 Variable Selection and Measurement

Firm Value: Market value is measured using Tobin's Q ratio (TQ).

ESG Performance (ESG): Bloomberg's ESG scores are based on a bottom-up, model-driven approach. A higher score indicates better ESG performance.

Control Variables: Control variables include firm size (Size) and leverage ratio (Lev), among other characteristic variables. The names, codes, and definitions of the main variables are listed in Table 1.

Variable Type	Variable Name	Variable Symbol	Variable Definition
Explained Variable	Tobin Q	Ttq	Market Value to Book Value of Total Assets
Explanatory Variable	ESG Performance	EBloombergESG	Bloomberg ESG Score
Control Variable	Firm Size	Ssize	Ln Total Assets
	Ownership Concentration	Ttop	Ownership Ratio of the Largest Shareholder
	Ownership Nature	Ssoe	State-Owned = 1, Non-State-Owned = 0
	Board Independence	Iinde	Proportion of Independent Directors
	Firm Growth	Ggrowth	Core Business Revenue Growth Rate
	Leverage Ratio	Llev	Debt-to-Total Assets Ratio
	Operating Cash Flow	Ccf	Operating Cash Flow to Initial Total Assets Ratio
	Adjusted Z-Score	Zscore	Corporate Bankruptcy Risk Indicator
	Total Factor Productivity of Listed Companies	Ttfp	Ln Cobb-Douglas Production Function

3.3 Model Specification

In order to examine whether ESG performance can enhance firm value and its relationship with ownership structure and firm size, this study constructs the following model:

$$TobinQ = \alpha + \beta_1 \, BloombergESG + \beta_2 \, SOE + \beta_3 \, SIZE + \beta_4 \, Lev + \beta_5 \, CashFlow + \beta_6 \, Growth + \beta_7 \, Indep +$$
$$\beta_8 \, Top1 + \beta_9 \, TFP\_fe + \beta_{10} \, Zscore$$

The explanatory variable is the firm's ESG score, while the dependent variable is the Tobin Q,
which represents the ratio of the firm's market value to its book value. Other variables, such as
firm size (Size) and ownership concentration (Ttop), are included as control variables. Here, the
subscript α denotes the regression intercept, and β represents the regression coefficient.

4. Experimental Results and Analysis

4.1 Descriptive Statistical Regression

As shown in Table 2, the mean value of Tobin's Q is 2.065, indicating that the market value of
the sample firms is generally higher than their book value. This suggests that the market holds an
optimistic outlook on the future growth potential and profitability of these companies. However,
the high standard deviation of 1.667 reflects significant variation in market valuations among the
sample firms. This indicates that some companies have market values that substantially exceed
their book values, while others have not received adequate market recognition or are valued lower.
This discrepancy could be due to weaker growth potential, higher risk, or external market
conditions. Therefore, the volatility of Tobin's Q highlights the complexity of firm value
assessment and the uncertainty in market valuations.

Regarding capital structure, the average leverage ratio (Lev) is 46.8%, suggesting that, on average,
the firms in the sample maintain a moderately leveraged capital structure. However, it is
noteworthy that some firms have a leverage ratio as high as 105.6%, which indicates an
over-reliance on debt financing and may expose these firms to higher financial risk.

In terms of corporate governance, the average proportion of shares held by the largest
shareholder (Top1) is 38.107%, indicating a relatively concentrated ownership structure. This
suggests that the largest shareholders have substantial influence over the firm's decision-making
process. Additionally, the average proportion of independent directors (Indep) is 37.518%,
exceeding the requirement of at least one-third independent directors set by the China Securities
Regulatory Commission (CSRC). This demonstrates that these listed companies adhere to
governance standards, ensuring a degree of independence and transparency within their
corporate governance structure.

Variable	Obs	Mean	Std. Dev.	Min	Max
BloombergESG	9770	28.822	9.893	6.198	71.18
SOE	9770	.54	.498	0	1
Size	9770	23.209	1.368	19.743	28.636
Lev	9770	.468	.193	.008	1.056
Cashflow	9770	.065	.072	-.47	.726
Growth	9770	.271	3.371	-.953	251.211
Indep	9770	37.518	5.861	14.29	80
Top1	9770	38.107	16.206	3.39	88.549
TobinQ	9770	2.065	1.667	.641	26.818
TFP FE	9770	12.357	1.316	7.471	15.665
Zscore	9770	5.144	10.734	-4.655	419.818

Figure 2: Descriptive Statistical Regression

In terms of ESG ratings, the average ESG performance of the sample companies is 28.822, with a standard deviation of 9.893. This indicates that, overall, the ESG performance of the sample companies is above average but not exceptionally high. Specifically, although most companies have made efforts in areas such as environmental protection, social responsibility, and corporate governance, their overall scores have not reached very high levels, suggesting that there is still room for improvement. The average score indicates that most companies have achieved the initial goals of implementing ESG strategies, yet there are still significant variations among them, highlighting considerable differences in ESG performance across different companies.

At the same time, the standard deviation of the Z-score exceeds 10%, which further reveals considerable variation in the ownership concentration among the sample companies. A high standard deviation of the Z-score means that some companies have a relatively dispersed shareholder structure, with smaller differences in control among shareholders, while others exhibit more concentrated ownership structures.

Furthermore, the average ESG score underscores that most listed companies have recognized the importance of environmental protection, social responsibility, and corporate governance, and have undertaken related practices to some extent. However, there are still noticeable differences in ESG performance. Some companies have made significant investments in social responsibility and environmental protection, demonstrating more advanced ESG management levels, while others have shown limited investments and improvements in these areas, resulting in relatively lower ESG performance. These differences may stem from various factors, including differing

perceptions of ESG strategies among companies, industry characteristics, company size, and the allocation of resources.

4.2 Benchmark Regression Results

	(1) TobinQ	(2) TobinQ
0.SOE	0.000	0.000
	(.)	(.)
1.SOE	-0.369***	-0.369***
	(-4.977)	(-4.974)
Size	-0.459***	-0.543***
	(-13.895)	(-14.930)
Lev	1.838***	1.953***
	(15.539)	(16.282)
Cashflow	1.549***	1.513***
	(9.061)	(8.857)
Growth	-0.002	-0.002
	(-0.640)	(-0.514)
Indep	-0.003	-0.004
	(-1.012)	(-1.475)
Top1	-0.010***	-0.009***
	(-5.760)	(-4.992)
TFP_FE	0.252***	0.247***
	(7.254)	(7.122)
Zscore	0.093***	0.093***
	(68.646)	(68.721)
BloombergESG		0.009***
		(5.477)
_cons	8.832***	10.522***
	(18.103)	(18.249)
N	9770	9770
R^2	0.378	0.381
F	585.679	531.877

***p<0.01，**p<0.85，*p<0.10

Table 3 presents the regression results on the impact of ESG performance on firm value. Column (2) shows that the coefficient for ESG is significantly positive at the 1% level. In terms of economic significance, an increase in a company's ESG rating by one notch leads to a 0.009 increase in the Tobin's Q (Tq), which represents a change of 0.4% (0.5%) of the sample companies' average Tq (standard deviation). This suggests that the market places a higher valuation on companies with strong ESG performance. Therefore, the results indicate that good ESG performance can enhance firm value, thereby supporting hypothesis H1.

4.3 Multicollinearity Analysis

Variable	VIF	1/VIF
Size	4.78	0.209119
TFP_FE	4.53	0.220571
Lev	1.82	0.548065
BloombergESG	1.44	0.692694
Zscore	1.23	0.811751
SOE	1.20	0.836790
Top1	1.15	0.866232
Cashflow	1.15	0.870932
Indep	1.02	0.976089
Growth	1.00	0.996858
Mean VIF	1.93	

In this empirical analysis, we used the Variance Inflation Factor (VIF), the most commonly used method for detecting multicollinearity in multivariate models. After running the vif command in Stata, the results shown in Table 4 indicate that the VIF of all variable coefficients is less than 5. According to the conventional threshold of VIF (10) for determining multicollinearity, it is clear that there is no significant multicollinearity among the variables in this study. This also confirms that the conclusions regarding the significance of the variables Size and TFP-FE at the 1% level are not driven by multicollinearity.

4.4 Robustness Check

	(1)
	PB
BloombergESG	0.030***
	(7.768)
0.SOE	0.000
	(.)
1.SOE	-0.611***
	(-3.522)
Size	-1.892***
	(-22.269)
Lev	7.695***
	(27.272)
Cashflow	3.530***
	(8.845)
Growth	0.022***
	(2.790)
Indep	-0.015**
	(-2.510)
Top1	-0.002
	(-0.621)
TFP_FE	0.491***
	(6.062)
Zscore	0.111***
	(35.049)
_cons	36.917***
	(27.394)
N	9768
R^2	0.231
F	260.520

***p<0.01，**p<0.85，*p<0.10

Table 4 Robustness Analysis

Table 4 shows that, in order to ensure the robustness of the above benchmark regression model, this study adopts a method where both the explanatory and dependent variables are lagged by one period. The regression coefficients of the lagged explanatory and dependent variables are significantly positively correlated, which is consistent with the benchmark regression results. Therefore, the benchmark regression results are considered to be reliable.

4.5 Endogeneity Issues

Regarding endogeneity issues, this paper addresses potential experimental errors caused by factors such as omitted variables and bidirectional causality by using the 2SLS (Two-Stage Least Squares) regression method, with the company's ESG score as an instrumental variable. This approach aims to more accurately identify and estimate the causal effect of the independent variable (ESG score) on the dependent variable, thus avoiding common endogeneity problems.

In the first stage of the regression, the company's age is used as an instrumental variable. The regression results show that the coefficient of the instrumental variable is significant (P = 0.0000), indicating a strong correlation between company age and ESG scores. Therefore, the choice of company age as an instrumental variable is reasonable. Company age is generally considered an important factor influencing corporate governance and social responsibility, among other aspects. As an instrumental variable, company age theoretically can effectively explain the variation in ESG scores without being directly influenced by the dependent variable, thus satisfying the exclusion restriction in the 2SLS regression.

In the second stage of the regression, Bloomberg's ESG score is used as the independent variable in the model for regression analysis. The results show that ESG score (the independent variable) maintains a significant positive correlation with the dependent variable, and the regression coefficient is statistically significant. This result suggests that, even after controlling for endogeneity issues, ESG scores still have a significant impact on the dependent variable. This indicates that the model's results have good robustness and can effectively capture the causal effect of ESG scores on the dependent variable.

However, although the 2SLS regression results show a significant relationship between the independent and dependent variables, the regression coefficients do not perfectly match those from the baseline regression (Ordinary Least Squares regression). This difference may arise from other potential factors such as firm size, ownership structure, and industry characteristics, which may influence both the company's ESG performance and the related dependent variables. For example, large firms may have advantages in resource allocation and governance structure, leading to higher ESG scores, while smaller firms may face more challenges and therefore exhibit weaker ESG performance. Similarly, differences in governance structure and social responsibility between state-owned and private enterprises may also influence the relationship between ESG scores and the dependent variable. Despite these factors, the explanatory variables in the model still show a significant positive correlation with the dependent variable, which is consistent with the results from the baseline regression. This further validates the reliability of the baseline regression results.

Based on this, it can be concluded that, although there are other factors that may affect the regression coefficients, overall, the baseline regression results remain highly credible and provide valuable empirical evidence for the research.

4.6 Heterogeneity Test

	non-state-owned enterprises		state-owned enterprises	
	-1	-2	0	-2
	TobinQ	TobinQ	TobinQ	TobinQ
Size	-0.578**	-0.711***	-0.362**	-0.412***
	(-9.942)	(-11.340)	(-9.860)	(-9.939)
Lev	2.711***	2.837***	1.070***	1.136***
	(-12.381)	(-12.937)	(-8.25)	(-8.6)
Cashflow	1.707**	1.698***	1.224***	1.188***
	(-5.55)	(-5.541)	(-6.67)	(-6.458)
Growth	-0.002	-0.002	0.007	0.008
	(-0.611)	(-0.474)	(-0.686)	(-0.804)
Indep	-0.003	-0.005	-0.002	-0.002
	(-0.521)	(-0.889)	(-0.751)	(-0.954)
Top1	-0.011***	-0.010***	-0.008**	-0.007***
	(-3.396)	(-3.011)	(-4.211)	(-3.670)
TFP_FE	0.424***	0.408***	0.091**	0.088**
	(-6.828)	(-6.596)	(-2.352)	(-2.298)
Zscore	0.105***	0.105***	0.081**	0.081***
	(-49.638)	(-49.756)	(-45.792)	(-45.819)
Bloomberg ESG		0.018***		0.005**
		(-5.53)		(-2.586)
Cons	9.067***	11.772***	8.588***	9.605***
	(-10.373)	(-11.787)	(-15.671)	(-14.243)
N	4497	4497	5273	5273
R2	0.412	0.417	0.342	0.343
F	336.773	305.059	307.877	274.74
***p<0.01, **p<0.85, *p<0.10				

Heterogeneity analysis focuses on the motivation behind the impact of ownership structure on corporate ESG (Environmental, Social, and Governance) performance. By performing grouped regression based on firm size, this study examines the effects of different characteristics on the ESG value effect. The results show that non-state-owned enterprises have a significant impact on better ESG performance. This may be attributed to the resource constraints faced by small and medium-sized enterprises, which align with national policy directions and show trends consistent with state-owned enterprises' ESG performance. This supports Hypothesis H2.

	large-scale enterprises		small and medium-sized enterprises	
	-1	-2	-1	-2
	TobinQ	TobinQ	TobinQ	TobinQ
0.SOE	0	0	0	0
	(.)	(.)	(.)	(.)
1.SOF	-0.129**	-0.130**	-0.596***	-0.612***
	(-2.042)	(-2.054)	(-2.756)	(-2.840)
Size	-0.094***	-0.134***	-0.467***	-0.658***
	(-3.553)	(-4.464)	(-3.994)	(-5.233)
Lev	2.242***	2.293***	2.988***	3.239***
	(-22.462)	(-22.616)	(-9.178)	(-9.805)
Cash flow	0.686***	0.668***	1.807***	1.766***
	(-5.223)	(-5.076)	(-4.101)	(-4.022)
Growth	-0.001	-0.001	0.117**	0.125**
	(-0.450)	(-0.435)	(-1.984)	(-2.13)
Indep	0	0	-0.009	-0.011
	(-0.188)	(-0.043)	(-1.211)	(-1.389)
Top1	-0.004***	-0.003***	-0.025***	-0.022***
	(-2.976)	(-2.611)	(-3.756)	(-3.309)
TFP_FE	-0.061**	-0.064**	0.317***	0.316***
	(-2.235)	(-2.343)	(-2.974)	(-2.981)
Z score	0.245***	0.246***	0.078***	0.078***
	(-81.102)	(-81.196)	(-38.371)	(-38.479)
Bloomberg ESG		0.003***		0.026***
		(-2.82)		(-4.018)
Cons	2.907***	3.757***	9.073***	12.501***
	(-6.928)	(-7.275)	(-4.523)	(-5.753)
N	7108	7108	2662	2662
R²	0.529	0.53	0.431	0.436
F	772.569	696.889	173.909	159.28
***p<0.01, **p<0.85, *p<0.10				

When firms are smaller in size, the impact of ESG is more significant, whereas it is less pronounced in large enterprises. This may be because small and medium-sized enterprises (SMEs) need to expand their market share, making ESG a key indicator for their development, thus supporting Hypothesis H3.

4.7 F-Test

According to the results of the F-test, the value of Prob > F = 0.0000 indicates that the regression model is statistically significant at the 1% level. This means that at least one independent variable has a significant relationship with the dependent variable, Tobin's Q. The F-test result, with a Prob value close to 0, rejects the null hypothesis that all explanatory variables have coefficients equal to zero. This suggests that the regression model is valid, and at least one independent variable can adequately explain the variation in the dependent variable. Therefore, based on the F-test results, we can conclude that the regression model is reasonable. Furthermore, the coefficient of the ESG performance variable is significantly positive at the 1% statistical level, indicating that ESG performance indeed has a positive impact on firm value.

Regression results

TobinQ	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
BloombergESG	.009	.002	5.48	0	.006	.012	***
SOE	-.369	.074	-4.97	0	-.514	-.223	***
Size	-.543	.036	-14.93	0	-.614	-.471	***
Lev	1.953	.12	16.28	0	1.718	2.188	***
Cashflow	1.513	.171	8.86	0	1.178	1.848	***
Growth	-.002	.003	-0.51	.607	-.008	.005	
Indep	-.004	.003	-1.48	.14	-.009	.001	
Top1	-.009	.002	-4.99	0	-.012	-.005	***
TFP_FE	.247	.035	7.12	0	.179	.315	***
Zscore	.093	.001	68.72	0	.09	.095	***
Constant	10.522	.577	18.25	0	9.392	11.653	***

Mean dependent var		2.065	SD dependent var		1.667
R-squared		0.381	Number of obs		9770
F-test		531.877	Prob > F		0.000
Akaike crit. (AIC)		23951.785	Bayesian crit. (BIC)		24030.842

*** p<.01, ** p<.05, * p<.1

Conclusion and Implications

With the deep implementation of China's "Five-in-One" strategy, the ongoing promotion of ecological civilization, and the widespread adoption of ecological sustainability principles, enterprises, as the cornerstone of economic development, should take the lead in environmental protection. As the primary implementers of the ESG (Environmental, Social, and Governance) framework, businesses play a key role in fostering the positive development of China's economy at the micro level. This study, through empirical research and analysis, concludes that strong ESG performance has a significant positive effect on firm value. Specifically, excellent environmental protection measures, fulfillment of social responsibilities, and effective corporate governance not only improve financial performance but also enhance brand value and shape a positive corporate image.

However, further analysis reveals that the relationship between ESG performance and firm value varies across different types of enterprises. Non-state-owned enterprises (non-SOEs), for example, generally perform better in ESG areas. This is closely related to their stronger emphasis on technological innovation, alignment with national policy directions, and other factors. In particular, non-SOEs with a strong sense of innovation and social responsibility often see direct impacts on their market valuation and long-term development potential from their ESG performance.

For young enterprises, ESG performance is closely linked to their needs for financing, market expansion, and brand development. Start-ups are more likely to enhance ESG performance as a strategy to attract investor attention and strengthen their market competitiveness. Regarding firm size, small and medium-sized enterprises (SMEs) typically invest more in ESG initiatives, likely due to their more pressing survival pressures and market uncertainties. In contrast, the impact of ESG performance on firm value is relatively weaker for large enterprises, possibly due to factors such as economies of scale, resource allocation, and market share.

Based on these findings, this study provides the following strategic recommendations for both businesses and governments:

Integrating ESG Principles into Business Strategy and Decision-Making

For enterprises, ESG should not merely be considered as an additional factor, but should instead be an integral part of corporate strategy and management. Companies should incorporate environmental protection, social responsibility, and improvements in governance structures into both their day-to-day operations and long-term development plans. By implementing effective and feasible ESG strategies, firms can enhance their market image, increase investor confidence, and play a positive role in both economic growth and social development, thus contributing to the achievement of sustainable development goals. Therefore, businesses should proactively fulfill their social responsibilities, improve governance structures, and focus on environmental protection. Through these efforts, firms can strengthen their long-term competitiveness and effectively enhance their overall value.

The Multidimensional Nature of ESG Performance

ESG performance is multidimensional, and its impact on firm value is complex and varied. Different ESG factors—such as environmental management, social responsibility, and governance structures—have varying degrees of influence on different aspects of the firm. Therefore, when promoting ESG initiatives, companies should carefully identify and prioritize the ESG factors that are most critical to their firm value, based on their unique characteristics and industry context. This approach will not only help improve the company's overall competitiveness but also support the achievement of its sustainability goals in multiple dimensions. Furthermore, when advancing their ESG strategies, enterprises should strengthen communication and collaboration with various stakeholders, including governments, investors, and society at large, to create a supportive environment for positive ESG performance.

Government Support for ESG Integration

Governments, investors, and society as a whole should collectively support and incentivize businesses to enhance their environmental, social, and governance performance. Through policy incentives, tax breaks, and other measures, governments can encourage companies to better

integrate ESG principles into their strategic development, thereby driving global progress toward sustainable development. Public sector support plays a crucial role in creating a framework that helps companies align their ESG efforts with both national priorities and international standards, further accelerating the global movement toward sustainability.

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