Research on the Impact of Corporate ESG Performance on Enterprise Value

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Abstract. Based on the stakeholder theory, this paper studies how ESG affects enterprise value and analyzes how enterprises can optimize ESG management. The research finds that the ways to optimize ESG management can be systematically advanced from three dimensions: environment (E), society (S), and governance (G). In the context of global efforts towards high-quality development and the "dual carbon" goals, ESG has become a key indicator for measuring an enterprise's sustainable development performance and long-term value. Through literature review and case analysis, this paper reveals the multi-faceted influence mechanism of ESG performance on enterprise value: the environmental dimension reduces risks and creates green gains by lowering emissions, conserving resources, and improving performance; the social dimension enhances brand image and organizational cohesion by practicing public welfare and safeguarding employee rights; the governance dimension mitigates agency risks and attracts long-term capital by optimizing structure, enhancing transparency, and building harmonious labor relations. More importantly, these three dimensions do not act independently but form a closed loop system of "risk prevention and control - value creation - sustainable development" through deep collaboration, jointly driving the spiral increase of enterprise value. The research contribution of this paper lies in expanding the boundaries of traditional enterprise value theory and providing theoretical and empirical support for incorporating non-financial factors into enterprise evaluation. In terms of management implications, enterprises should incorporate ESG into strategic, establish a systematic data management system, promote full value chain implementation, deepen industry chain collaboration and communication with stakeholders, and establish performance evaluation and continuous improvement mechanisms, thereby achieving a strategic transformation from passive compliance to active value creation.

Keywords: ESG, enterprise value, ESG management, influence mechanism

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1 Introduction

1.1 Research Background

In the era of global pursuit of high-quality development, green development has become a common focus of attention for all countries. Whether it is China's "carbon peak before 2030 and carbon neutrality before 2060" dual-carbon goal, or the carbon tax policy discussed by the United States, or the continuously strengthened carbon emission trading system by the European Union, all indicate that reducing carbon emissions and promoting sustainable development have become a global strategic consensus. In this process, ESG (Environment, Society and Governance) as a key indicator system for measuring the sustainable development performance of enterprises, its importance is increasingly prominent. Although ESG is not a legally required content in traditional financial reports, more and more enterprises actively incorporate it into their annual reports or independent sustainable development reports to demonstrate their social responsibility and long-term value potential. Meanwhile, investors also widely utilize ESG assessment to identify risks and opportunities in green finance and guide capital to flow in a more sustainable direction [1].

1.2 Research Significance

Currently, the business development model is undergoing a profound transformation from scale expansion to high-quality development. During this process, ESG has become an important benchmark for measuring whether a company has achieved high-quality development, deeply integrating into the company's strategy and operations. Research shows that improving ESG performance can significantly enhance the company's value [2]. Therefore, how to systematically enhance ESG performance, optimize the corporate governance structure, strengthen the fulfillment of social responsibilities, and thereby drive the growth of corporate value has become a core issue faced by enterprises [3].

From a theoretical perspective, our research in this area is not comprehensive, and the research is not sufficient. There is relatively less research on this aspect. Therefore, conducting research on the impact of ESG on corporate value is of crucial importance. Using ESG to analyze the value of companies expands the boundaries of traditional enterprise value theory. We incorporate non-financial elements such as environment, society, and governance into the analysis framework, no longer being limited to enterprise value assessment beyond single profit and cash flow indicators. We include the company in the long-term sustainable development map. For enterprises, in-depth research on ESG helps to accurately identify strategic opportunities and potential risks in the areas of environmental protection, social responsibility, and corporate governance, converting ESG practices into tangible competitive advantages. By optimizing management processes, reducing regulatory penalties, and lowering operational costs. At the same time, establishing a good social reputation to enhance brand value and obtain more convenient green financing while improving ESG scores. For investors, research on ESG provides important guidance, which helps to optimize asset allocation, effectively manage long-term transformation risks such as climate change, and seize investment opportunities brought by the green economy. For policymakers, solid research conclusions can provide empirical support for designing more scientific and effective ESG disclosure standards, tax and financial incentives, and market regulation policies, thereby more effectively guiding market resources to sustainable development areas and promoting the overall development of the economy.

2 Review of Domestic and International Research Status

2.1 Domestic and International Research Status of ESG

The origin of the ESG concept can be traced back to the charitable activities carried out by enterprises in the 1960s. After several decades of iteration, approximately 40 years later, the United Nations Global Compact Organization first proposed and officially defined the term ESG in a report. Since then, ESG has gradually entered the investors' field and has become an important dimension for analyzing the quality of corporate governance and operational efficiency. With the signing of the Paris Agreement, ESG has further integrated with green development and has become an important benchmark for the new generation of sustainable development.

At present, related research on ESG is still accumulating and deepening. Yan Bing [4] combined ESG with the supply chain assessment system and through quantitative analysis found that the improvement of ESG levels of downstream enterprises significantly promoted the green innovation of midstream enterprises, which reflects that ESG performance has a positive transmission effect among enterprises and helps to strengthen the collaboration and cooperation between the midstream and downstream of the industrial chain. Bei Yutong [5] starting from the enterprise management model, pointed out that integrating ESG construction into the company's development strategy can effectively enhance the sustainable development ability and market competitiveness of the enterprise. Gao Jieying et al. [6] confirmed through constructing a regression model that good ESG performance helps to improve the investment efficiency of the enterprise. Gao Lingling et al. [7] based on the case study of BYD found that ESG practice not only can enhance the enterprise value, reduce financing risks and costs, but also bring a certain valuation premium. Song Jia et al. [8] using the financial data of A-share listed companies from 2015 to 2022 and the Huazheng ESG index as samples, pointed out that ESG performance is positively correlated with emerging productive forces and helps to improve the relationship between the enterprise and all stakeholders. Wang Zhi and Peng Baichan [9] through the research on Chinese A-share listed companies from 2011 to 2020, found that good ESG performance can further improve the innovation performance of the enterprise through enhancing performance, strengthening reputation and reducing the cost of debt financing, etc. Chen Ruohong et al. [10] research showed that enterprises with better ESG performance have lower equity financing costs, and this effect is particularly obvious for non-state-owned enterprises; while in debt financing, it shows the opposite trend.

In addition, the impact of ESG on the financing cost of non-polluting industries enterprises is generally greater than that of polluting industries.

2.2 Theoretical Foundation: Stakeholders

The traditional view simplifies the enterprise's goal to maximizing shareholder interests, but reality is more complex. The stakeholder theory suggests that enterprises should consider multiple - party interests in decision - making and operations, and focus on all individuals and groups related to the organization's goals. There's a mutually dependent relationship between enterprises and stakeholders: Stakeholders offer resources and development channels, and enterprises' long - term success depends on trust and cooperation with them. In the era of sustainable development, enterprises should adhere to long - termism and pursue win - win cooperation. Under this framework, ESG provides enterprises with measurable, comparable data indicators and standard systems, which help optimize internal management, cut redundant costs, improve operational efficiency and overall enterprise value, and achieve the unity of economic and social value.

3 Analysis of the Mechanism of the Impact of Enterprise ESG Performance on Enterprise Value

3.1 Mechanism of the Impact of Environmental (E) Performance on Enterprise Value

3.1.1 Reduce Emissions and Increase Green Income.

In 2014, the Environmental Protection Law required high - pollution enterprises to disclose emission types and quantities. In 2015, the state implemented a mandatory disclosure policy. High - emission enterprises strengthened emission control, reduced high - pollution gas emissions and environmental penalty risks, and got government subsidies to improve profit levels and enterprise value. Pengding Holdings, a global leading printed circuit board manufacturer, values ESG - related environmental protection and sustainable development. It uses different prevention measures for pollutants, classifies and processes them to reduce emissions. In 2018, it released a social responsibility report and in 2022, established an ESG development committee. During this period, it avoided environmental administrative penalties, achieved industry - leading environmental certifications and results, and received government subsidy funds. Financial statements show that government subsidies, part of non - core business other income, are increasing year - on - year.

3.1.2 Save Energy, Enhance Resource Efficiency, and Reduce Resource Consumption.

It can be seen from Table 1 that while reducing harmful gas emissions, the company focuses on energy utilization rate. It arranges production lines reasonably and increases energy reuse, achieving energy conservation, reducing consumption, and lowering production and operation costs. As a leading company in the electronics field, Pengding Holdings actively optimizes its business structure and promotes new production - capacity construction.

Table 1. Changes in net profit and net profit growth rate of Pengding Company from 2015 to 2024

Subject\Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net Profit (billion yuan)	15.26	10.04	18.27	27.71	29.25	28.41	33.17	50.12	32.87	36.2
Year-on-year growth rate of net profit	7.91%	-34.21%	82.01%	51.65%	5.54%	-2.84%	16.75%	51.07%	-34.41%	10.14%

3.1.3 Improve Environmental Performance and Enhance the Confidence of Stakeholders.

Transparent and excellent emission data can help enterprises gain the trust of investors, customers and consumers. By disclosing such data, companies can show their environmental performance to investors, meeting consumers' green demands, boosting investment confidence and laying a foundation for long - term cooperation with customers. Also, companies actively develop green product - related businesses, aligning with the market's environmental protection pursuit. As can be seen from Table 2, BYD's total greenhouse gas emissions have been rising annually, but from emission density indicators, it's clear that the company controls emission intensity through resource management and energy - saving renovations. Meanwhile, BYD focuses on green transportation, researching and promoting electric buses and cars, and providing green energy solutions for society.

Table 2. Changes in Greenhouse Gas Emissions of BYD from 2021 to 2023

Year	2021	2022	2023
Scope 1 greenhouse gas emissions (in carbon dioxide equivalents) (tons)	315,610.00	550,932.00	931,916.00
Scope 2 greenhouse gas emissions (in carbon dioxide equivalents) (tons)	4,903,502.00	7,511,038.00	11,409,539.00
Total greenhouse gas emissions (in carbon dioxide equivalents) (tons)	5,219,112.00	8,061,970.00	12,341,455.00
Greenhouse gas emission density (tons per million yuan of revenue)	0.24	0.19	0.20

3.2 The Mechanism of the Impact of Society (S) on Enterprise Value

3.2.1 Engaging in Public Welfare and Enhancing Brand Image.

By conducting public welfare donations and community building, enterprises can accumulate social trust and enhance brand reputation. Anji Food has continuously demonstrated its commitment to social responsibility, thereby strengthening its brand reputation and social image. The company established a charity donation program to provide long-term assistance to people in remote areas facing difficulties; during the severe rainstorm in Henan in 2021, it urgently donated emergency food to support the front-line rescue efforts; on every August 1st Army Day, it organized employee visits to honor retired soldiers, demonstrating its respect for heroes through practical actions. From daily assistance to emergency support and finally to paying tribute to the contributors, Anji Food takes practical actions to convey the warmth of the enterprise, continuously accumulating social trust, and steadily enhancing its brand reputation and social influence.

3.3 Government and Policy (G) - Mechanism of the Impact on Enterprise Value

3.3.1 Improve Governance Structure to Curb Agency Risks.

A well - established corporate governance structure can reduce issues like major shareholders' embezzlement and management fraud. It has become a key path to reduce agency costs for the Industrial and Commercial Bank of China. The bank established a "clear rights and responsibilities, mutual checks and balances" mechanism and strengthened independent directors' power in strategic decision - making, ensuring decision - making's scientificity and independence. Meanwhile, through building "Clean Industrial and Commercial Bank", improving employee violation management and criminal case handling, and establishing a transparent information disclosure system, it formed institutional constraints on management and major shareholders. This significantly suppresses risks of embezzlement and fraud from information asymmetry and power imbalance, laying a solid foundation for safeguarding stakeholders' rights and interests.

3.3.2 Optimize Decision-making Process and Enhance Strategic Quality.

A standardized decision - making process and a forward - looking risk management system can improve an enterprise's strategic scientificity and stability. Based on these, Industrial and Commercial Bank of China enhanced the scientificity of its strategic decisions. Its board implemented the "five major financial articles" strategic deployment, and relied on established committees for special deliberations and grassroots research on issues like green finance and climate risks, ensuring major decisions aligned with national strategy. Also, the bank incorporated climate risks into its comprehensive risk management system, led in stress tests and developed ESG rating models. This forward - looking quantitative analysis based on data and long - term trends avoided investment mistakes from ignoring environmental and social risks, enhancing the enterprise's development stability and sustainability.

3.3.3 Enhance Information Transparency and Attract Long-term Capital.

The company adheres to the core values of honesty and integrity. By disclosing transparent governance information, it attracts long - term investors and reduces financing costs. The publicized financing interest rate data and investor structure reports show that good information transparency optimizes the company's capital structure. As shown in Table 3, Pengding Holdings has received the highest A - level evaluation in the Shenzhen Stock Exchange's information disclosure assessment for several consecutive years and was rated again in November 2025, demonstrating its standardization and high transparency in information disclosure and environmental management. This high - quality information disclosure enhances market information symmetry, smooths financing channels, and promotes the steady growth of paid - in capital and capital reserves year by year.

Table 3. Changes in Paid-In Capital and Capital Surplus of Pengding Holdings from 2021 to 2024

Shareholders' Equity (in yuan)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Paid-in Capital (billion yuan)	16.88	20.8	23.11	23.11	23.11	23.21	23.21	23.2	23.19
Capital Reserve (billion yuan)	38.64	85.26	120.44	122.14	123.45	126.19	126.97	127.02	127.05

3.3.4 Building Harmonious Labor Relations and Empowering High-quality Talent Development.

The company strictly complies with relevant national and local laws, fully guarantees employees' basic rights and interests, and ensures proper implementation of basic salaries and welfare benefits. After solidifying rights protection, Anji Food attaches great importance to employees' career growth and long - term development. It actively conducts systematic training, builds a talent management system, and implements the talent - strengthening enterprise strategy to promote high - quality talent development. The company encourages employees to choose their own promotion paths, providing diversified development channels. With such support, the number of talents and the employee retention rate increase year by year. Meanwhile, the company focuses on employee satisfaction and organizational belonging. By optimizing management, it reduces the turnover rate, improves production efficiency, and discloses key indicators like the employee retention rate in the corporate ESG report. Based on industry satisfaction survey results, it continuously optimizes the human resource management system.

3.4 The Comprehensive Impact of the Synergy of ESG Dimensions on Enterprise Value

In contemporary business, ESG is a key benchmark for assessing corporate resilience and long - term value creation. The environmental, social, and governance dimensions are interconnected, and their synergy enhances enterprise value. Good governance (G) is the institutional basis for environmental and social initiatives; without it, environmental and social efforts may be superficial, like Microsoft linking executive compensation to ESG targets. Without governance safeguards, environmental (E) and social (S) efforts are fragile.

Conversely, strong E and S performance drives governance system evolution. Companies focusing on green technologies or social responsibility face more external scrutiny, which spurs governance improvements. CATL, with great environmental contributions, has social compliance risks and needs to enhance internal audits and ethics training.

The ESG integration's synergistic effect is shown in long - term financial performance and risk resilience. Firms with high integrated ESG ratings differ from those excelling in single dimensions. Tesla, strong in environment but weak in social and governance, has lower risk resistance. In contrast, comprehensively rated companies like Novo Nordisk and L'Oréal have more value stability, sustainable growth, and a "trust premium" for shareholders.

Harmonizing ESG's three dimensions helps companies move beyond profit - only goals, creating a more resilient value - creation ecosystem. Governance is the core, environment is the circulatory system, and social responsibility is the framework. Their coordinated operation helps enterprises mitigate risks and find new business opportunities.

4 How Enterprises Can Optimize ESG Management

Enterprises are undergoing a strategic transformation in ESM management, shifting from passive compliance to proactive value creation. Against the backdrop of increasingly strict global regulations and rising expectations from stakeholders, ESG has evolved from a mere embellishment in annual reports to a core competitiveness that influences financing costs, market access, and brand reputation. To enhance the quality and efficiency of ESG management, enterprises need to establish a dynamic closed-loop management system that spans from awareness to execution, and from internal governance to external transparency. This can be systematically advanced through the following five aspects:

4.1 Incorporate ESG into the Top-level Design of the Enterprise Strategy and Build a New Governance Pattern

Enterprises should elevate the ESG concept to the strategic level, with the board of directors formulating and leading it. The board should set up a cross - departmental ESG management committee as the highest decision - making and coordination body for ESG management. The committee's core task is to clarify the synergy between ESG and the core business, ensuring ESG runs through the enterprise. Enterprises should formulate differentiated strategic points according to industry characteristics. High - energy - consuming enterprises focus on the environmental dimension, while the service industry emphasizes the social dimension. Based on this, clear and quantifiable medium - and long - term ESG strategic goals should be set and decomposed into phased plans. To ensure strategy communication, the company should build an implementation assessment mechanism, incorporate ESG key performance indicators into performance assessment, link them with management compensation, and drive the deep integration of ESG and enterprise operations.

4.2 Establish a Systematic Data Management System to Lay a Solid Foundation for ESG Quantification

Accurate and reliable data is the cornerstone of ESG management. Enterprises should transform vague ESG concepts into quantifiable and verifiable data assets. The solution is to promote digital tools' practical application, connect ESG key performance indicators with business systems, and achieve automatic data flow and cross - departmental sharing, enabling independent business units to collaborate on common ESG goals. The data collection should cover all ESG dimensions, including environmental data (carbon emissions, etc.), social indicators (employee turnover rate, etc.), and governance information (board structure, etc.). To enhance data comparability and rating performance, refer to mainstream rating agencies' indicator systems and fill core data gaps. Technically, use IoT for real - time energy and emission monitoring and blockchain to ensure supply - chain data traceability and non - modifiability, building a high - quality data system. This supports ESG report disclosure, empowers internal management, and lays a foundation for management's scientific decision - making.

4.3 Strengthen the Implementation and Execution of the Entire Value Chain, and Promote the Integration of ESG into Operations

Strategies and data must be implemented at the operational level. Enterprises should convert macro ESG standards into specific operational procedures for each department, and establish an ESG management system covering the whole value chain from R & D to after - sales. In the environmental dimension, they should promote green production transformation, invest in energy - saving and carbon - reducing technologies, set up a supply chain environmental compliance review mechanism, and use ESG performance as a key condition for suppliers. In the social dimension, they should improve the employee rights protection system, offer competitive pay and benefits, a safe work environment, and training channels. They should also establish a consumer rights protection response mechanism and participate in community building through public welfare. In the governance dimension, they should optimize the corporate governance structure, strengthen internal control and risk prevention, improve information disclosure transparency, and gain market trust through compliant and transparent governance.

4.4 Deepen the Collaboration Within the Industrial Chain and Communication with Stakeholders, and Build an ESG Ecosystem

Enterprises should expand their ESG management perspective from internal to upstream and downstream. They can help the entire industrial chain improve by formulating green procurement terms, training suppliers on capacity building, sharing best practices and providing technological empowerment. For the transformation bottlenecks of small and medium - sized suppliers in funds and technology, explore providing low - interest financing support or sharing mature emission reduction solutions to bridge the capability gap. This reduces the greenhouse gas emission risks of core enterprises in scope three and builds a more resilient and competitive supply chain. Meanwhile, active communication with stakeholders is crucial. Enterprises should regularly compile and release high - quality ESG reports, and disclose management progress to investors, customers, employees, communities and the public through various channels. According to the concerns of different stakeholders, implement targeted policies and build a multi - party, mutually beneficial ESG ecosystem.

4.5 Establish a Performance Evaluation and Continuous Improvement Mechanism to Drive the ESG Spiral Upward

ESG management is a dynamic optimization and upward spiral process. Enterprises should conduct annual comprehensive ESG self - assessments, compare results with third - party rating agencies and industry benchmarking enterprises, and identify management weaknesses and potential risk points. For identified problems, special rectification plans should be made with clear responsible entities, measures, and deadlines for closed - loop management. Meanwhile, continuously track ESG - related policies, regulatory dynamics, changes in rating standards, and industry trends, and dynamically optimize management strategies to ensure ESG performance stability and competitiveness. In information disclosure, adhere to completeness, comparability, and substance principles. Display achievements, face challenges candidly, explain management logic and improvement directions behind data, show the management team's ability to handle complexity and long - term risks with high transparency, build trust in the capital market, and safeguard enterprise sustainable development.

5 Conclusion and Policy Recommendations

5.1 Core Research Findings

Based on stakeholder theory, this study examines how ESG factors influence corporate value via literature research and analyzes how companies can enhance value by optimizing ESG management. A company's ESG performance positively affects its value through multiple pathways. The E, S, and G dimensions have distinct focuses and synergistic effects. The E dimension focuses on resource utilization and ecological responsibility, reducing costs and risks through green innovation; the S dimension focuses on stakeholder relationship management, enhancing cohesion and reputation; the G dimension focuses on optimizing governance structure, reducing agency costs. These three aspects influence each other, forming a closed - loop system that promotes corporate value rise.

The research shows that optimizing ESG management can effectively enhance corporate value. Enterprises can integrate data to build a database, compare with peers to find ESG weak points. They should set short - term goals and long - term strategies, use AI and big data for data organization and prediction, promote industrial chain improvement, deepen collaboration and communication, and establish evaluation and improvement mechanisms to achieve strategic transformation from passive compliance to active value creation.

5.2 Research Limitations and Future Prospects

5.2.1 Research Limitations.

Due to the difficulty in completely eliminating the influence of researchers' subjective judgments during the qualitative analysis process, this study has certain limitations at the methodological level. The existence of subjectivity objectively may affect the rigor of the research conclusions. Secondly, the completeness and accuracy of the publicly available network data used in the study are largely dependent on the public strategies and data governance levels of the data publishers. This may restrict the comprehensiveness and reliability of the research data, thereby affecting the judgment of the experimental personnel.

5.2.2 Future Outlook.

This study only explores the impact of optimizing a company's ESG indicators on its value. The research on ESG is not yet comprehensive enough. Further studies can be conducted in multiple directions for deeper and broader exploration. It is suggested to conduct in-depth analysis by combining more typical cases from various industries to enhance the industry applicability and practical guidance value of the research results. At the same time, it is worth exploring a better approach that combines public online data with qualitative research methods, in order to establish a more scientific and efficient research paradigm. Additionally, a small amount of quantitative analysis methods can be introduced as auxiliary means to mutually confirm with qualitative conclusions, thereby enhancing the persuasiveness and completeness of the research conclusions.

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