

# The Impact of ESG on Corporate Financial Performance: The Case of Apple Inc

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**Abstract.** The purpose of this research paper is to examine the connection between corporate financial performance and Environmental, Social, and Governance (ESG) aspects, with a particular emphasis on Apple Inc. Examining whether environmental, social, and governance factors significantly affect financial performance is the main research question. This study adds to the expanding corpus of research on the relationship between sustainability and financial performance by addressing the challenge of determining the degree to which ESG practices affect a company's financial outcomes. A mixed-method approach was used in the research, integrating qualitative findings with quantitative analysis. To evaluate Apple Inc.'s financial performance during a given time frame, financial data from the company was gathered and examined. Information pertaining to ESG was also looked upon. The study's findings show that Apple Inc.'s corporate financial performance and ESG factors are positively correlated. Financial data research showed that Apple's strong commitment to social responsibility, environmental sustainability, and sound governance processes had a favorable impact on its financial results. Additionally, the qualitative study pinpointed particular ESG activities that improved customer loyalty, brand reputation, and operational effectiveness—all of which eventually led to financial success. The results emphasize how crucial it is to include ESG considerations in company strategy since they have the potential to provide value and improve financial performance. The results may provide valuable insights for investors, policymakers, and stakeholders who seek to understand the relationship between ESG considerations and financial performance.

**Keywords:** ESG; Corporate financial performance; Sustainability; Apple Inc.

## 1. Introduction

### 1.1. Research Background and Significance

ESG stands for Environmental, Social and Corporate Governance, and refers to the practices and principles of businesses that take into account environmental, social and governance factors in their operations. ESG disclosure refers to the disclosure of ESG-related information by an enterprise to investors, stakeholders and the public. This information can include an enterprise's ESG policies, objectives and performance data, as well as related risk management and opportunity development. The purpose of ESG disclosure is to provide transparency and comparability so that investors can assess an enterprise's performance and risks in the ESG area and thus make more meaningful investment decisions. This paper explores the impact of ESG factors on the financial performance of one of the world's most valuable and innovative companies, Apple Inc. By analyzing the ESG initiatives and practices adopted by Apple, this study aims to provide insights into how a focus on sustainability, social responsibility, and sound governance practices can contribute to enhancing corporate financial performance.

### 1.2. Literature Review

There is a close link between ESG performance and firm performance and the concept of this association has been widely recognised. In recent years, a number of scholars have studied and researched the correlation. In order to demonstrate the value of ESG in enhancing corporate performance, Friede examined more than 2,200 financial reports on the topic in 2015. The majority of these reports' findings demonstrated that the accumulation of ESG not only helps a company

succeed in the long run but also significantly enhances its business performance [1]. Barnett and Salomon 2012 showed that companies with good CSR awareness tend to have higher economic performance [2]. Lee and colleagues conducted a statistical analysis of 412 German and international companies' environmental, social, and corporate control performance and return on assets in 2011, their findings revealed that implementing ESG practices could improve return on shareholders' equity and produce favorable changes in return on assets [3]. Velte further confirms this finding that ESG implementation may positively enhance return on assets and may generate positive changes in return on assets [4]. Atan, through an in-depth exploration of ESG technical indicators and data of 54 Malaysian companies from 2010 to 2013, found that the corporate governance index is the most important factor for the financial performance of the company, while the other indices do not have the same factor, however, their combined assessment can have a clear and direct impact on the financial management of the company and its negative impact on the company's value [5]. Ahmad et al. also stated in their study that out of three hundred and fifty-one UK companies, companies with high ESG levels showed better financial performance than those with low levels [6]. According to Nollet's study in 2016, return on assets, return on capital and other related factors show a U-shaped linkage. This suggests that a company's financial management will greatly improve to the extent that it can regularly fulfill the social responsibility of contracting itself [7].

### **1.3. Research Contents**

The growing global emphasis on ESG has brought significant attention to the impact of ESG practices on corporate performance. The essay aims to explore the influence of ESG implementation on corporate performance within a carbon-constrained environment, using Apple Inc. as a case study. The objective of this research is to examine the actual outcomes of ESG policies on corporate performance, while considering the broader concept of ESG. Firstly, an overview of ESG will be provided, highlighting the challenges and opportunities faced by companies in a carbon-constrained environment. Subsequently, a comprehensive analysis of Apple's ESG practices and relevant financial performance data will be conducted, with a focus on the impact of ESG policies on profitability, market position, and investor relations. The findings of this study may offer insights and recommendations for corporate decision-makers, investors, and policymakers. The understanding of the influence of ESG policies on corporate performance can assist companies in formulating effective strategies that align sustainability goals with financial objectives.

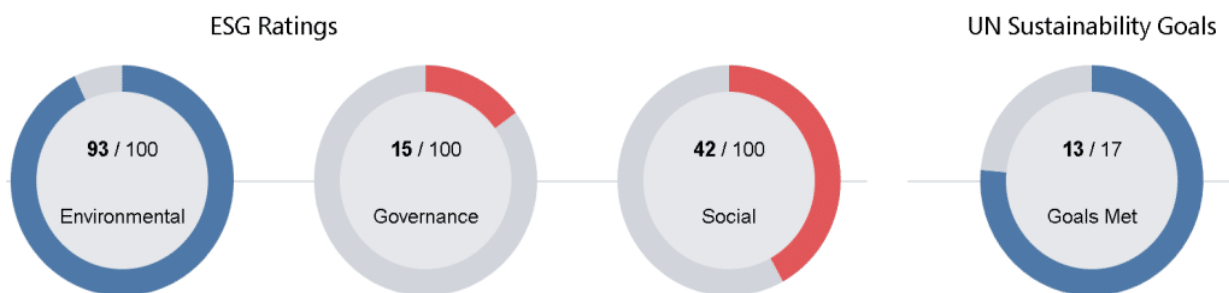
## **2. Overview of Apple**

### **2.1. Brief introduction of Apple**

Founded in 1976, Apple Inc. is a well-known technological firm with its headquarters located in Cupertino, California, USA. The corporation is well-known throughout the world for designing, creating, and promoting internet services, computer software, and consumer gadgets. Apple is committed to being a global leader in sustainability by taking proactive initiatives in environmental, social and corporate governance. They integrate ESG principles into their business operations and drive progress and growth across the industry through innovation and collaboration.

### **2.2. Apple's ESG Initiatives**

According to Permutable's survey in 2024, Apple scored moderately high on its ESG rollout. In total, Apple achieved 13 out of 17 sustainability goals, in addition to scoring higher than the industry when it comes to the environment (see figure 1).



**Fig. 1** Apple's ESG score [8].

### 2.2.1. Environmental Initiatives

On the environmental side of ESG, Apple has made its own efforts. Apple is committed to sustainable practices across various aspects of its operations. One key focus is the transition to renewable energy. The company has made substantial investments in renewable energy projects and has established solar and wind farms to power its facilities globally. Additionally, Apple actively collaborates with its suppliers to promote energy efficiency, waste reduction, and the adoption of renewable energy in manufacturing processes. Stringent environmental standards are set for suppliers to ensure responsible practices throughout the supply chain. Apple also places significant emphasis on product recycling, implementing programs that encourage responsible disposal and recycling of their products. The company invests in recycling technologies and materials recovery to minimize electronic waste. Furthermore, Apple has set targets to reduce its carbon footprint, encompassing emissions from manufacturing, transportation, and facilities. They transparently disclose their carbon footprint and actively communicate their progress in reducing greenhouse gas emissions. Through these initiatives, Apple demonstrates its commitment to sustainability and serves as a role model for environmental responsibility in the corporate sector.

### 2.2.2. Social Initiatives

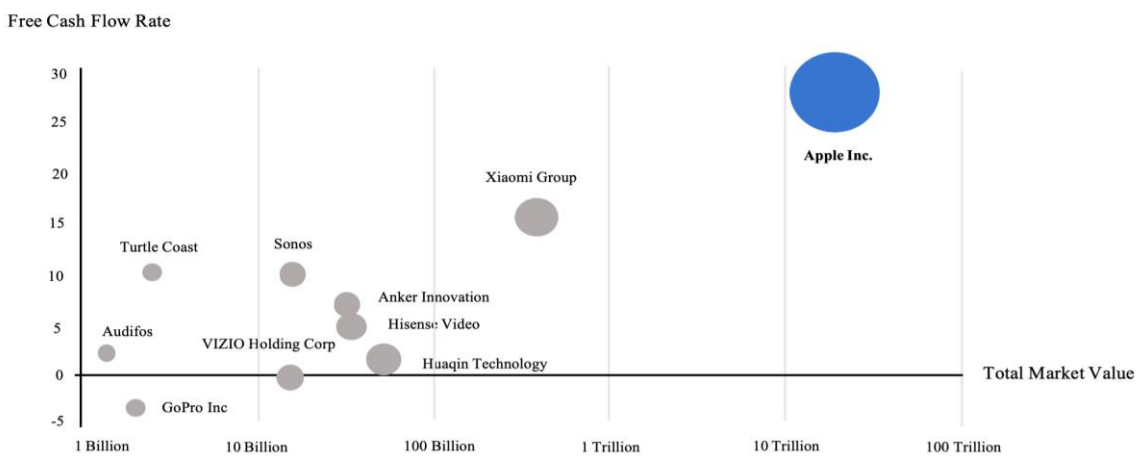
Apple prioritizes labor and human rights within its global supply chain by implementing stringent standards. The company is dedicated to enhancing working conditions and ensuring fair treatment for all workers involved in the production of Apple products. Moreover, Apple actively promotes diversity and inclusion within its workforce. Through various initiatives, they strive to increase the representation of underrepresented groups, with a focus on gender and racial diversity. In addition, Apple places a significant emphasis on privacy and data security. They have implemented robust privacy features in their products and services to safeguard user data from unauthorized access. By prioritizing these values, Apple demonstrates its commitment to upholding ethical labor practices, fostering a diverse and inclusive work environment, and safeguarding user privacy and data security.

### 2.2.3. Governance Initiatives

Apple has also enhanced its ESG performance in the area of governance. The company's Board of Directors plays a crucial role in overseeing and driving its ESG initiatives, ensuring compliance with relevant regulations and standards. They provide robust governance and strategic oversight to promote responsible practices throughout the organization. In addition, Apple demonstrates a strong commitment to transparency and reporting. They annually publish an Environmental Progress Report, which provides comprehensive updates on their environmental initiatives, such as renewable energy usage, carbon footprint reduction efforts, and supplier responsibility programs. This report also includes information on their social initiatives and governance practices, offering stakeholders valuable insights into Apple's ESG performance. Through effective board oversight and transparent reporting, Apple showcases its dedication to strong governance practices and accountability. These measures contribute to the company's continued improvement in ESG performance and its commitment to sustainable and responsible business practices.

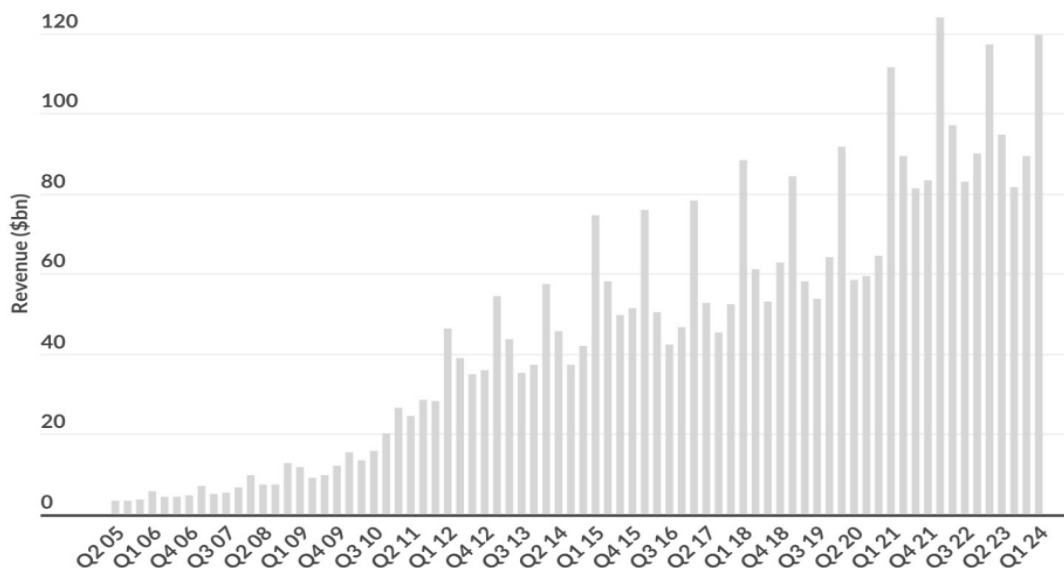
### 3. The Impact of ESG on Apple's Performance

This paper measures the impact of ESG implementation on Apple's financial performance through two dimensions. First, in terms of corporate financial position and operational soundness, Apple's free cash flow margin is at a preferred level in the industry (see figure 2). Comparing it to companies like Xiaomi Group and VIZIO in the same industry, Apple has the highest total market capitalisation and a preferred level of free cash flow margins situated between 25% and 30%. A high free cash flow margin indicates that the company is able to effectively convert sales revenue into cash flow, which is an important indicator of the company's healthy financial position [9]. A high free cash flow margin also indicates that the implementation of ESG initiatives helps the company to improve its financial flexibility and robustness, with sufficient funds to meet current financial obligations and investments, dividends or debt repayments. This situation may favour Apple's long-term growth and investment acquisition, showing the positive impact of ESG initiatives on the company's finances in the long run.



**Fig. 2** Apple Free Cash Flow Margin Levels [10].

In addition, as can be seen from Figure 3 and Table 1, Apple's quarterly revenue and net profit income have shown a steady upward trend over the last two decades. The rise in revenues indicates a growth trend in Apple's product sales. The rise in net profit, on the other hand, may reflect Apple's good performance in cost management.



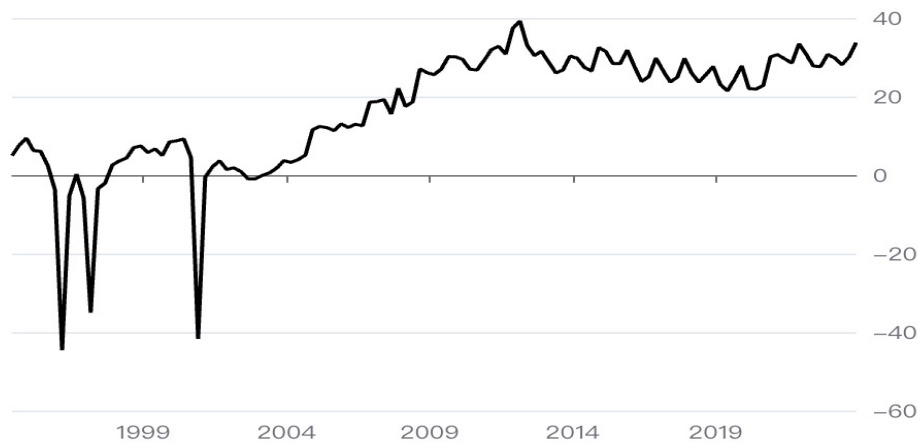
**Fig. 3** Apple Quarterly Revenue 2005-2024 [11].

**Table 1.** Apple Net Margin Annual Figures (%).

Date	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Profit Ratio (%)	21.61	22.85	21.19	21.09	22.41	21.24	20.91	25.88	25.31	25.31

Data Sources: <https://www.gurufocus.cn/stock/AAPL/>

In addition, Apple's operating margin is always suggestive of growth and grows faster after 2021 (see Figure 5). The rise in operating margins may imply that Apple Inc. is achieving higher levels of efficiency and profitability in its operations. These phenomena reflect the increased impact of products, increased consumer confidence, and continued willingness of investors to invest. The financial data that became better after the 2020s further suggests that the ESG initiatives valued by Apple in recent years may have had a positive impact on the company's economic development. It can also be seen that Apple is not sacrificing its economic efficiency for the improvement of ESG benefits, but rather, it is enhancing the competitive advantage of the enterprise while maintaining capital appreciation and corporate growth, so that the enterprise can gain more benefits and get further development.



**Fig. 5** Apple Operating Margin Historical Quarterly Data (%).

Data Sources: [https://www.gurufocus.cn/stock/AAPL/term/operating\\_margin](https://www.gurufocus.cn/stock/AAPL/term/operating_margin).

Accordingly, the financial performance of Apple has not been significantly negatively impacted so far after the start of ESG initiatives. The leading figures of free cash flow margins and the steady improvement in revenue and profitability may prove that ESG has a positive orientation on Apple's financial and long-term development.

#### 4. Problems

While Apple has taken aggressive ESG initiatives, there are still some issues that present some challenges with the company's financial performance.

Firstly, while Apple's free cash flow margins are at industry-preferred levels and the implementation of ESG initiatives has contributed to financial flexibility and robustness, it is important to note the impact of ESG costs on the company's financial position. Implementing ESG initiatives may require the company to invest significant capital and resources, including improving its supply chain, promoting the use of renewable energy, and increasing the sustainability of its products. These costs may put some pressure on the company's financial position, especially in the short term, and may negatively impact financial metrics such as profitability and return on investment.

Secondly, while Apple has improved its economic efficiency while implementing ESG management, it still needs to ensure that ESG initiatives are aligned with the company's core business. Apple's primary source of profitability as a technology company is the sale of innovative products and services. While pursuing ESG objectives, Apple needs to ensure that the market competitiveness and profitability of its products and services are not compromised. Therefore, balancing ESG

objectives with profitability is a challenge that requires a comprehensive consideration of all aspects of the company's long-term sustainability.

In addition, the effectiveness and transparency of ESG initiatives is a key issue. While Apple may have adopted a range of ESG initiatives, the adequacy and transparency of information disclosure regarding the specific effects and outcomes of these initiatives, as well as the existence of effective monitoring and evaluation mechanisms for ESG objectives, still require further attention. Lack of transparency and monitoring may lead to questions about the authenticity and reliability of ESG results, which in turn may affect the extent to which investors and stakeholders recognise Apple's ESG efforts.

Therefore, in spite of Apple's ESG achievements, there is still a need for continued attention and efforts to address the issues between ESG initiatives and the company's financial performance to ensure the long-term success of sustainable corporate development.

## 5. Conclusion

The paper aims to investigate the relationship between environmental, social and corporate governance factors and firms' financial performance through a case study of Apple Inc. The research question is to explore whether ESG considerations have a significant impact on financial performance. This study addresses the issue of understanding the extent to which ESG practices affect firms' financial outcomes and adds to the academic literature at the intersection of sustainability and financial performance. The study used a mixed-method approach combining quantitative analysis and qualitative insights. Apple's financial data was collected and analysed to assess the company's financial performance over a specific period of time, and ESG-related information was reviewed. The results of the study show that ESG considerations are positively correlated with Apple's financial performance. Financial data analyses reveal that Apple's strong commitment to environmental sustainability, social responsibility, and sound governance practices positively impacts its financial results. Additionally, qualitative analyses identified specific ESG initiatives beneficial to enhancing brand reputation, customer loyalty, and operational efficiency that drive financial success. The findings highlight the importance of incorporating ESG factors into corporate strategy as they create value and positively impact financial performance. The results provide valuable insights for investors, policymakers, and stakeholders seeking to understand the relationship between ESG considerations and financial performance.

In summary, the results of this study suggest that ESG practices have a positive impact on Apple's financial performance. Apple's commitment to environmental sustainability, social responsibility and good governance practices not only contributes to its brand reputation and customer loyalty, but also improves operational efficiency and financial success. Therefore, integrating ESG factors into corporate strategies can create long-term value and promote sustainable development. These findings provide important insights for corporate decision makers, investors, and policy makers to help them understand the relationship between ESG considerations and financial performance, and to develop appropriate strategies to achieve alignment between sustainability goals and financial objectives.

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